Exhibit C

SOLUTIA
SAVINGS AND INVESTMENT PLAN

Effective September 1, 1997

The information in this booklet is provided to Solutia employees and other inactive participants who are eligible for this plan and is your Summary Plan Description. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933. It covers Solutia Inc. common stock and related Preferred Share Purchase Rights offered through the Solutia Savings and Investment Plan.

Because you are able to invest your after-tax and before-tax contributions in Solutia common stock, Securities and Exchange Commission regulations require that this prospectus be provided to you. If you have any questions about the plan or its administrators, call the Benefits Line at 1-888-726-8616 between 8 a.m. and 8 p.m. (Central time), Monday through Friday and speak to a Benefits Center Representative. You may write to the Solutia Benefits Center at 100 Half Day Road, Lincolnshire, Illinois 60069-1459.

Directory

Overview

Your Savings and Investment Plan (SIP) is an opportunity to participate in a personal savings program to which your employer also contributes. The following description of SIP applies to most participants who are covered by the plan. Exceptions or differences for certain groups of participants are described in the Section "Special Rules for Certain Participants" on pages 29-30. In addition, a separate summary plan description has been prepared for employees at the Queeny, Krummrich, Carondelet, Indian Orchard, Anniston and Trenton plants who are covered by a collective bargaining agreement.

In connection with the spinoff of Solutia from Monsanto, the account balances of all Solutia active employees and certain former Monsanto employees were transferred from the Monsanto Savings and Investment Plan ("Monsanto SIP") to the Solutia Savings and Investment Plan. Account balances that were transferred were automatically invested in the same funds that they were invested in under the Monsanto SIP immediately prior to the transfer. All of your other elections (e.g. contribution rates) and any outstanding loan balances were also carried over.

Under SIP, you have two options for contributing — before-tax or after-tax.

Your total contributions can range between 1% and 16% of your eligible pay in 1% increments (subject to annual before-tax limits, the Contribution Comparison Rule and the Section 415 Limit [see page 4]). They can be all before-tax, all after-tax, or a combination of both.

Whether you contribute on an after-tax basis, a before-tax basis or a combination of an after-tax and before-tax basis, your contributions (up to and including the first 7% of your eligible pay) are increased by contributions from your employer beginning as of the date you begin making contributions to the plan (see page 3). For every dollar you contribute — up to and including the first 7% of your eligible pay — your employer makes a matching contribution of 60¢. (If you are an employee in the Fovil group, see page 30.) This matching contribution is automatically invested in Solutia common stock. Generally, you will become fully vested in this employer match when you have completed five years of Vesting Service. You will begin to receive Vesting Service on your first day at work. (If you became an employee of Solutia on September 1, 1997, your Vesting Service includes Vesting Service accrued under the Monsanto SIP as of August 31, 1997.) See pages 12-13.

If you elect to make "before-tax" contributions, what you contribute is not subject to current federal income tax, or in most states, to current state income tax, but is subject to FICA tax. Distributions of any before-tax contributions can only be made when you retire, terminate employment, become disabled and are unable to perform any reasonable occupation, die or after you reach age 59-1/2. You will pay taxes on your before-tax contributions and earnings on those contributions when distributed.

If you elect to make "after-tax" contributions, the amounts you contribute are subject to current federal and state income tax, and FICA tax. As an active employee, you can withdraw your after-tax contributions at any time. Whenever you receive after-tax money, you will not have to pay taxes on your after-tax contributions, but you will pay taxes on the earnings.

You have eleven investment choices: four pre-mixed diversified portfolios and seven investment funds. The four pre-mixed portfolios are: the Conservative Portfolio, the Moderate Portfolio, the Moderately Aggressive Portfolio and the Aggressive Portfolio. The investment funds are: the Fixed Income Fund, the Balanced Fund, the U. S. Equity Index Fund, the Growth and Income Equity Fund, the International Equity Fund, the Growth Equity Fund and the Employer (Solutia) Stock Fund. In addition, your contributions made prior to September 1,1997 may be invested in the Non-Employer (Monsanto) Stock Fund.

Investment choices are made in multiples of 1%. Your choices will apply to both your before-tax and after-tax contributions.

There are four ways you can get money out of SIP: withdrawals, loans, final distributions after termination or retirement, and installment payments after termination or retirement. If you retire or terminate employment, you can defer distribution of your accounts.

You have many choices under SIP to fit your personal situation. But keep in mind SIP's central purposes: to provide a personal investment program and to supplement your retirement income. For example, if you put $100 a month into

Overview *(cont'd)*

the current SIP program beginning as of the first of the month after your date of hire and your contributions are increased by contributions from your employer beginning as of the date you begin making contributions, and you make no loans or withdrawals, here's how your account will grow:

Years Participation	Your Contributions	Company Contributions	TOTAL ACCOUNT VALUE Hypothetical Annual Growth Rates 6%	8%	10%
1	$ 1,200	$ 720	$ 1,974	$ 1,992	$ 2,010
2	2,400	1,440	4,069	4,149	4,232
5	6,000	3,600	11,163	11,756	12,390
10	12,000	7,200	26,221	29,271	32,775
15	18,000	10,800	46,531	55,366	66,315
20	24,000	14,400	73,927	94,243	121,499

Your annual growth rate will depend on the actual growth rate of the pre-mixed diversified portfolios and investment funds in which you elect to invest. For information on the past performance of the pre-mixed diversified portfolios and investment funds, see page 11.

Who Can Participate

NEW HIRES AND CURRENT EMPLOYEES

You are eligible to join SIP and begin making after-tax and/or before-tax contributions as soon as administratively possible following the date you are hired as an employee of a participating Solutia business unit or another participating organization. Company Match contributions will automatically begin as of the pay period in which you begin making contributions. (See page 30 for exception that applies to temporaries, per diems, co-ops, summer students, seasonal employees and other "non-regular" employees.)

REHIRES

A SIP participant who terminates employment and is re-employed by a participating business unit or a participating organization is eligible to rejoin SIP on the date he/she is re-employed and will begin receiving the Company Match as of the pay period in which he/she begins making contributions. (See page 30 for exception that applies to temporaries, per diems, co-ops, summer students, seasonal employees and other "non-regular" employees.)

EMPLOYEES NOT ELIGIBLE TO PARTICIPATE

Individuals employed by a business unit or an organization which has not adopted SIP will not be able to participate in SIP.

How to Enroll

To join SIP, complete the SIP Telephone Enrollment Worksheet (included in your SIP enrollment kit) and then call the Benefits Line at 1-888-726-8616. When you call the Benefits Line, you will be prompted to:

- indicate the percentage of your eligible pay (in 1% increments) that you wish to contribute on an after-tax and before-tax basis; and
- make your investment elections.

By enrolling through the Benefits Line, you are authorizing your employer to deduct your contributions from your pay. The amount you elect to save is automatically taken from your paycheck beginning as soon as administratively possible, but not later than your third paycheck after you enroll.

When you enroll in SIP, you also need to designate a beneficiary. Complete the "Beneficiary Designation" form included in your SIP enrollment kit and return it by U. S. mail to the Benefits Center. If you are married, you must designate your spouse as your beneficiary unless he or she agrees in writing to your designation of someone else and that written consent is witnessed by a Notary Public. (You can change your beneficiary with your spouse's written consent, but it's important for you to realize that, in order to be effective, the form indicating the latest beneficiary must be filed with the Benefits Center — not kept in a drawer at home.)

If your account balance under the Monsanto SIP was transferred to SIP as of September 1, 1997, your contribution rate election, investment election and beneficiary designation were carried over.

How the Plan Works

SECTION I: Putting Money Into SIP

Generally, there are three questions you'll have to answer as you put money into SIP:

1. *WHAT PERCENTAGE OF ELIGIBLE PAY DO YOU WANT TO CONTRIBUTE?*
2. *DO YOU WANT YOUR CONTRIBUTIONS TO BE MADE AS AFTER-TAX, BEFORE-TAX, OR BOTH?*
3. *HOW DO YOU WANT TO INVEST YOUR SIP CONTRIBUTIONS?*

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1. *WHAT PERCENTAGE OF ELIGIBLE PAY DO YOU WANT TO CONTRIBUTE?*

You can elect to contribute from 1% of your eligible pay up to a maximum of 16% of your eligible pay, in increments of 1%. (Due to IRS restrictions, your allowable maximum SIP contribution may be less than 16% of your eligible pay. See page 4.)

Eligible pay includes items actually paid such as base pay, overtime pay, shift differential and annual cash incentive or gainsharing pay. Eligible pay does not include items such as tool allowance, pay in lieu of vacations or employer benefits contributions (such as FlexCredits). Also, by IRS rules, eligible pay for purposes of SIP contributions is limited to $160,000 in 1997 (see page 4). Currently, this dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index.

Beginning with the pay period in which your contributions start, your contributions up to and including the first 7% of your eligible pay are increased by Company Match contributions from your employer. For every dollar you contribute, up to and including 7% of your eligible pay, your employer contributes 60¢. This is called the "Company Match." Contributions that you make in excess of 7% of your eligible pay are not matched by any contribution from your employer. (Exceptions to this matching contribution apply to employees of the Fovil group and to per diems, temporaries, co-ops, summer students and seasonal employees. See page 30.)

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

MAXIMUM ALLOWABLE CONTRIBUTION RATE

Depending on your eligible pay, there may be restrictions on your after-tax contributions, before-tax contributions or both. **If you reach any of these restrictions, you will be notified of your status and options.** Here are the limits:

- The maximum annual before-tax contribution in 1997 is $9,500. This limit applies to you as an individual and includes before-tax contributions to the Monsanto SIP. This dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index. Contributions in excess of this limit will automatically be converted to after-tax contributions.
- Federal law also requires that the maximum before-tax or after-tax contribution levels of highly compensated employees be determined by a factor based on the average contribution level of non-highly compensated employees. This is called the "Contribution Comparison Rule." In 1997, the comparison is between those who had earnings of over $80,000 in 1996 and those who had earnings of $80,000 or less. This earnings amount may be indexed in future years to reflect increases in the Consumer Price Index. (Earnings for this purpose are defined as W-2 earnings [which include certain moving expenses] plus any salary reductions for before-tax contributions — and payroll reductions for benefits in excess of employer contributions, and contributions to Reimbursement Accounts.) Testing under the Contribution Comparison Rule will be performed at least annually.
- The third possible restriction is called the "415 Limit." Under the 415 Limit, the most that can be contributed to SIP by you and your employer is generally the lesser of (a) $30,000 or (b) 25% of your W-2 compensation (limited to $160,000 in 1997) per calendar year.
- Eligible pay for purposes of SIP contributions is limited to $160,000 in 1997. If you became a Solutia employee as of September 1, 1997, your eligible pay for 1997 includes amounts received through August 31, 1997 while employed by Monsanto. Currently, this dollar limit is indexed and may increase in the future to reflect increases in the Consumer Price Index.

In addition to the four plan limits described above, there is one additional limit on your before-tax contributions to SIP. If your before-tax contributions to SIP plus any before-tax 401(k) contributions you made to another employer's qualified plan exceed the maximum annual before-tax contribution limit ($9,500 in 1997), you may elect in writing the amount of excess before-tax contributions to be distributed from SIP. Such election must be made on a form provided by the Benefits Center and must be received by the Center by not later than the March 1 immediately following the end of the calendar year in which you made the excess before-tax contribution. If your election is timely filed, you will receive a distribution of your excess before-tax contributions adjusted for earnings and losses on such amount. Your distribution will be made on or before the April 15 immediately following your timely election. If you make excess before-tax 401(k) contributions and do not elect a distribution of the excess, you will need to pay income tax on the excess in the year contributed **and again** in the year distributed from the plan.

2. *DO YOU WANT YOUR CONTRIBUTIONS TO BE MADE AS AFTER-TAX, BEFORE-TAX, OR BOTH?*

You have now decided the total percentage of eligible pay (in 1% increments) you wish to contribute to SIP.

Your next step is to decide how you wish to divide that total percentage between after-tax and before-tax (in 1% increments).

Before-tax and after-tax contributions have different impacts on your taxable income. When you make a before-tax contribution, you are in effect reducing your current taxable income by the amount of your before-tax contribution. On the other hand, an after-tax contribution does not reduce your current taxable income. Thus, when you make a before-tax contribution (as opposed to making the same contribution on an after-tax basis), you will have lower current year taxable income and will actually pay less income tax in the year of the contribution. Remember, even though your before-tax contribution is not currently taxed, it will be taxable when distributed to you or your beneficiary unless it is properly rolled over to an IRA or another employer's qualified plan.

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

Before you decide between before-tax and after-tax, consider that while before-tax contributions offer certain current tax advantages, there are restrictions on how and when you can access your before-tax contributions. Review the "Taking Money Out of SIP" section before deciding how much you wish to contribute on either an after-tax or before-tax basis.

Neither after-tax contributions nor before-tax contributions impact base pay calculations for other employer-provided benefits or the amount of your wages subject to Social Security (FICA) tax.

ORDER OF COMPANY MATCH

The "Company Match" (company contributions made on your behalf) will be made separately for after-tax and before-tax contributions, depending on how much you contribute to each. Your after-tax contributions will be matched first if you contribute on both an after-tax and before-tax basis.

PLAN ACCOUNTS

Depending on your elections, the following accounts will be opened in your name:

- After-Tax Account — for your after-tax contributions.
- Before-Tax Account — for your before-tax contributions and any direct rollover contributions you made prior to January 1, 1997 (see page 12).
- Rollover Account — for your direct rollover contributions after January 1, 1997 (see page 12).
- Company Match Account — for company contributions made on your behalf. This includes company match amounts in both the Employer and Non-Employer Stock Funds.

Amounts in all of the accounts listed above will include amounts transferred from the Monsanto SIP as of September 1, 1997.

3. *HOW DO YOU WANT TO INVEST YOUR SIP CONTRIBUTIONS?*

You have now decided on the total percentage of eligible pay you wish to contribute and how you wish to divide that total percentage between after-tax contributions and before-tax contributions. Your third decision is how you want to invest your contributions. Your investment election must be in 1% increments.

You will have eleven investment choices:

Four Pre-Mixed Diversified Portfolios

- Conservative Portfolio
- Moderate Portfolio
- Moderately Aggressive Portfolio
- Aggressive Portfolio

Seven Underlying Investment Funds

- Fixed Income Fund
- Balanced Fund
- U. S. Equity Index Fund
- Growth and Income Equity Fund
- International Equity Fund
- Growth Equity Fund
- Employer (Solutia) Stock Fund (election cannot exceed 30% of your after-tax and before-tax contributions).

Your investment election will apply to both your after-tax and before-tax contributions.

If there is no investment election on file, your after-tax and before-tax contributions will automatically be invested in the Fixed Income Fund.

In addition to the investment choices listed above, you may have contributions that were made prior to September 1, 1997 invested in the Non-Employer (Monsanto) Stock Fund. No future contributions may be invested in the Non-Employer Stock Fund and no past contributions can be transferred into the fund.

COMPANY CONTRIBUTIONS

The Company Match on after-tax and before-tax contributions made on or after September 1, 1997, will automatically be invested in the Employer Stock Fund.

Company Match contributions that were transferred from the Monsanto SIP were initially invested in the Employer Stock Fund and the Non-Employer Stock Fund.

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

PLAN EXPENSES

The expenses of administering SIP are charged against participants' SIP accounts. These administrative expenses include fees paid to Hewitt Associates L.L.C. for processing participants' elections, recordkeeping, preparing periodic statements and certain other administrative services under SIP. SIP administrative expenses also include fees paid to The Northern Trust Company for its services as trustee under SIP. Additional expenses for administering SIP also may be paid to others from time to time. SIP administrative expenses generally are charged to SIP participants on a pro-rata basis, based on the amount of their total SIP accounts relative to those of all other participants. It is estimated that, in 1997, the amount of administrative expenses charged to SIP participants will equal about .10% of their total SIP accounts. In addition to administrative expenses, investment expenses are charged to SIP participants with respect to their investments in the Fixed Income, Balanced, U. S. Equity Index, Growth and Income Equity, International Equity and Growth Equity Funds, as described below under "Investment Choices." To find out the current administrative and investment expense fee percentages, call the Benefits Center.

INVESTMENT CHOICES

The following is a brief description of each of the investment choices available under SIP.

Pre-Mixed Diversified Portfolios

The pre-mixed diversified portfolios are designed to provide participants with professionally selected combinations of the underlying SIP investment funds (excluding the Employer and Non-Employer Stock Funds). The pre-mixed portfolios differ in estimated risk and return characteristics. Each pre-mixed portfolio is designed to have a mix of investment funds that provide the highest estimated return for a given level of risk. The portfolios will be rebalanced periodically to maintain targeted levels of investment in the underlying investment funds. The value of each portfolio depends on the values of the underlying investment funds in the portfolio. Since each portfolio contains investments in equity funds and some contain fixed income investments, the value of your investment in a pre-mixed portfolio will rise and fall as the value of the investments in the portfolio change. There is a potential for gain and loss, and no guarantee of repayment of principal in each portfolio. The fees associated with the management of the pre-mixed portfolios will be charged to the accounts of participants who select the portfolios. Specific information and investment allocation of each of the four portfolios follows.

► *Conservative Portfolio* — The objective for this portfolio is to provide current income, with some capital appreciation through investments in the Fixed Income, Balanced and U. S. Equity Index Funds. The portfolio is the most conservative of the pre-mixed choices and is designed for investors with a lower tolerance for risk or with a shorter investment time horizon. The portfolio consists of the following funds in the indicated proportion: Fixed Income, 60%; Balanced, 20%; and U. S. Equity Index, 20%. The annual investment manager fees to be charged to the accounts of participants who invest in this pre-mixed portfolio are estimated to be about .30% of the amount invested in the portfolio.

► *Moderate Portfolio* — The objective for this portfolio is to provide a balance of current income and capital appreciation through allocations to the Fixed Income, Balanced, U. S. Equity Index and Growth and Income Equity Funds. The portfolio is designed to have a higher level of risk and estimated return than the Conservative Portfolio due to its higher allocation to equities and reduced allocation to fixed income securities. The portfolio is designed for investors who are willing to accept a higher level of risk and seek a higher estimated return than the Conservative Portfolio and who have a longer investment horizon. The Moderate

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

Portfolio consists of the following funds in the indicated proportion: Fixed Income, 40%; Balanced, 25%; U. S. Equity Index, 20%; and Growth and Income Equity, 15%. The annual investment manager fees to be charged to the accounts of participants who invest in this pre-mixed portfolio are estimated to be about .32% of the amount invested in the portfolio.

►*Moderately Aggressive Portfolio* — The objective for this portfolio is to provide capital appreciation over the long term. The majority of assets are invested in equity securities. Risk in the portfolio is moderated by small allocations to fixed income securities. The portfolio is designed for investors who are willing to accept a higher level of risk and seek a higher estimated return than either the Conservative or Moderate Portfolios and who have a longer investment horizon. The Moderately Aggressive Portfolio consists of the following funds in the indicated proportion: Fixed Income, 25%; U. S. Equity Index, 20%; Growth and Income Equity, 25%; Growth Equity, 15%; and International Equity, 15%. The annual investment manager fees to be charged to the accounts of participants who invest in this pre-mixed portfolio are estimated to be about .43% of the amount invested in the portfolio.

►*Aggressive Portfolio* — The objective for this portfolio is to maximize total return over the long term through allocations to equity securities. The risk and estimated return for the portfolio are the highest among the four pre-mixed portfolios. The portfolio is designed for investors willing to accept risks associated with equity securities and who have long investment horizons. The Aggressive Portfolio consists of the following equity funds in the indicated proportion: U. S. Equity Index, 15%; Growth and Income Equity, 30%; Growth Equity, 30%; and International Equity, 25%. The annual investment manager fees to be charged to the accounts of participants who elect this pre-mixed portfolio are estimated to be about .57% of the amount invested in the portfolio.

Underlying Investment Funds

►*Fixed Income Fund* — This fund is designed for low risk of loss of capital and current income. Permissible investments for this fund include investment contracts issued by insurance companies and/or banks under which the issuer is responsible, subject to specified conditions, for repayment of principal (and, in some cases, principal and interest). Currently, this fund is invested in cash investments and in investment contracts backed by the following insurance companies: Prudential Insurance Company of America, Metropolitan Life Insurance Company, Commonwealth Life Insurance Company, Pacific Life Insurance Company, and American International Group. While these investment contracts are not guaranteed against failure of the insurance companies, the company's current selection criteria requires each of the insurance companies to have a Moody's rating of A or better. The earnings rate credited to your account is based on the composite earnings rate of the various contracts. This fund may also invest in fixed income securities such as, but not limited to, mortgage-backed securities and government and high grade corporate securities. The fees and expenses incurred for the management of this fund will be charged to the accounts of the participants in this fund based on the amount of their balance in the fund relative to the balances in the fund of all other SIP participants. Currently, these fees and expenses include fees paid to investment managers who are responsible for the assets in the fund. The fees are a percentage of the assets under management which are paid to the following investment managers: Standish, Ayer & Wood, Inc.; NISA Investment Advisors L.L.C., Jennison Associates Capital Corp., and Fischer, Francis, Trees and Watts, Inc. The annual investment related expenses to be charged to the accounts of participants who elect this fund for 1997 are estimated to be about .33% of the assets in this fund. Since the Fixed Income Fund is not a publicly traded fund, it is not listed in business periodicals.

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

► *Balanced Fund* — This fund invests in both fixed income and equity securities. A professional investment management firm directs the investment allocation of the fund balance between fixed income and equity securities. The objective of the fund is to achieve a higher overall rate of return than is available from the Fixed Income Fund but have less risk than the equity funds. Currently, all contributions to the Balanced Fund are invested in the Dodge & Cox Balanced Fund, which is managed by the investment advisory firm of Dodge & Cox. The value of the mutual fund shares depends on the value of the fund's fixed income and equity securities. As such, the value of the Balanced Fund account will rise and fall as the value of stocks and bonds in the fund changes. There is a potential for gain and loss and no guarantee of repayment of principal. Dodge & Cox's current policy is that no more than 75% of the Dodge & Cox Balanced Fund will be invested in common stocks. Individual securities are selected with an emphasis on financial strength and long-term profit potential. The fund's objectives are capital appreciation in favorable periods and conservation of principal in adverse times, but given the risks inherent in the financial markets, no assurance can be given that the fund will achieve its objective. Investment fees charged to participants in this fund during 1997 are expected to equal about 0.47% of the assets in this fund. A prospectus describing the Dodge & Cox Balanced Fund can be obtained by calling the Benefits Line. The Dodge & Cox Balanced Fund is a publicly listed mutual fund whose shares are priced and published on a daily basis. Its *Wall Street Journal* fund reference is "Dodge & Cox: Balan." Its symbol is "DODBX."

► *U. S. Equity Index Fund* — This fund is designed to provide a cost-effective equity investment vehicle with exposure to the most highly capitalized part of the U. S. equity market. Its objective is to track the performance of the Standard & Poor's 500 Composite Stock Index. All contributions to the U. S. Equity Index Fund will be invested in the Mellon Bank, N.A. EB Daily Liquidity Stock Index Fund. It is a collective investment fund for qualified employee benefit trusts. Mellon Bank N.A. has retained its affiliate, Mellon Capital Management Corporation, to provide investment advisory services to the fund. The fund holds all of the stocks in the S&P 500 Index in proportion to their market capitalization-weighted values and offers participation in approximately 70-75 percent of the total U. S. equity market. The fund also uses S&P 500 Stock Index futures to facilitate the management of fund cash flows. The value of the U. S. Equity Index Fund will rise and fall as the value of the investments in the fund change. There is a potential for gain and loss and no guarantee of repayment of principal. The investment expenses of this investment option to be charged to participants for 1997 are estimated to be .05% or less, depending on the amount of assets in the fund. Since this fund is not a publicly traded stock fund, it is not listed in business periodicals. Performance is expected to closely track the S&P 500 Index.

► *Growth and Income Equity Fund* — This fund is designed for long-term growth of capital. Its objective is to provide capital appreciation and above-market returns through the stock selection and portfolio management expertise of a select group of diversified professional investment advisors. The managers invest primarily in common stocks or securities convertible into common stocks. Each of the five investment managers for this fund invests a portion of the fund. These five investment managers also manage investments for the pension trust. The five current investment managers and

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

their investment strategies are: Delaware Investment Advisers — invest in high dividend yielding stocks; Equinox Capital Management — invest in stocks with low price-earnings ratios; Jennison Associates — invest in companies that demonstrate superior absolute and relative earnings growth; Lincoln Capital Management — invest in larger companies with above average earnings growth prospects; and RCM Capital Management — invest in smaller companies with good growth potential. The managers were chosen to provide a balance of growth and value management styles throughout the capitalization spectrum. The value of your Growth and Income Equity Fund account will rise or fall as the value of the stocks and securities in the fund change. The fees paid to the investment managers generally are a percentage of the assets under management. For 1997, the aggregate fees for the investment managers in this fund are estimated to be about .41% of the assets of this fund and will be charged to fund participants. This fund is not a publicly traded fund and is not listed in any business periodicals.

▸ *Growth Equity Fund* — This fund is designed for long-term growth of capital. A professional investment management firm directs the management of the investments in the fund. The objective of the fund is to seek capital appreciation by investing primarily in common stocks and securities convertible into common stocks of companies with above-average revenue and earnings growth potential. The fund seeks growth potential by focusing on smaller, less-known companies in new and emerging areas of the economy. The fund may also pursue growth in companies in mature and declining industries that have been revitalized and hold a strong market position. The fund is managed as a diversified growth stock fund and attempts to own a mixture of stocks of various sizes and with higher than average price/earnings ratios. All contributions to the Growth Equity Fund are invested in the Fidelity Growth Company Fund. Fidelity Management & Research Company provides investment advisory services to the Growth Company Fund. The value of the Growth Equity Fund will rise and fall as the value of the investments in the fund change. For 1997, investment fees charged to participants who invest in the Growth Equity Fund are estimated to equal about .81% of the assets in this fund, depending on the size of the fund. A prospectus describing the Fidelity Growth Company Fund can be obtained by calling the Benefits Line. The Fidelity Growth Company Fund is a publicly listed mutual fund whose shares are priced and published on a daily basis. Its official name is the Fidelity Growth Company Fund and its *Wall Street Journal* fund reference is "Fidelity Invest: GrowCo." Its symbol is "FDGRX."

▸ *International Equity Fund* — This fund is designed for investors seeking long-term growth of capital from investment in a diversified portfolio of stocks of companies based outside the United States. Currently, all contributions to the International Equity Fund are invested in the T. Rowe Price Foreign Equity Fund, a publicly listed mutual fund whose shares are priced and published on a daily basis. A professional investment management firm, Rowe-Price Fleming International, Inc., directs the investments of the fund. It also manages investments for the pension trust. The fund's objective is to seek long-term growth of capital through investments primarily in common stocks of established foreign companies in developed countries, along with managed exposure to investments in emerging markets which offer higher return potential. Given the risks inherent in the financial markets, no assurance can be given that the fund will achieve its objective. Also, international investing involves additional risks — such as currency fluctuations and political and economic uncertainties — which can increase the volatility of investment performance.

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

The fund is broadly diversified by country, industry sector and individual stock holdings. The value of the International Equity Fund will rise and fall as the value of the securities in the fund change. There is a potential for gain and loss, and there is no guarantee of repayment of principal. The investment expenses incurred in the management of the T. Rowe Price Foreign Equity Fund will be charged to the accounts of the participants in this fund based on the amount of their balance in the fund relative to the balances in the fund of all other SIP participants. The fees and expenses charged to participants who invest in this fund during 1997 are estimated to be about .80% of the assets in this fund. A prospectus describing the T. Rowe Price Foreign Equity Fund can be obtained by calling the Benefits Line. The International Equity Fund's official name is the T. Rowe Price Foreign Equity Fund and its Wall Street Journal fund reference is "Price Funds ForEq." Its symbol is "PRFEX."

▸ *Employer (Solutia) Stock Fund* — This fund invests primarily in Solutia common stock and may hold relatively small amounts of cash. You are not permitted to elect to have more than 30% of your before-tax and after-tax contributions invested in this fund. Your contributions to this fund and the Company Match will be held in separate accounts. Your contributions invested in this fund will be kept in a "Solutia Employee Stock Account." Company Match contributions invested in this fund will be kept in a "Solutia Company Match Account." The value of the Solutia stock in this fund may rise or fall, so there is a potential for gain and a potential for loss. There is no guarantee of repayment of principal. Shares in the Solutia Employee Stock Account portion of the Employer Stock Fund are reallocated within SIP if adequate shares are available from participant withdrawals and, if adequate shares are not available, from purchases on the open market. For purposes of determining gains or losses, it is assumed that shares are acquired at the fair market value on the date of purchase (shares available from participant withdrawals are assumed to be purchased on the effective date of the withdrawal). Company Match contributions may be used to release shares from the ESOP Suspense Account or to purchase shares on the open market or from within the plan (see page 36). Dividends paid on Employer stock in the Solutia Employee Stock Account and Solutia Company Match Account will be used to purchase additional shares or (in the case of dividends on the Solutia Company Match Account stock only) to release shares from the ESOP Suspense Account to be placed in your Solutia Company Match Account. No investment expenses are charged at this time; however, amounts invested in the Employer Stock Fund are charged for administrative expenses as described in "Plan Expenses" on page 6. Solutia Inc. common stock is publicly traded and its *Wall Street Journal* symbol is "SOI."

▸ *Non-Employer Stock Fund* — This fund is invested primarily in Monsanto common stock and may hold relatively small amounts of cash. The amounts in this fund reflect amounts contributed to the Monsanto SIP prior to August 31, 1997 that were invested in Monsanto common stock and which were not converted to Solutia common stock in connection with the spinoff of Monsanto's chemical businesses. Amounts attributable to your contributions are kept in a "Monsanto Employee Stock Account." Amounts attributable to employer matching contributions are kept in a "Monsanto Company Match Account." The value of the Monsanto stock in this fund may rise or fall, so there is a potential for gain and a potential for loss. There is no guarantee of repayment of principle. Dividends paid on Monsanto stock in the Monsanto Employee Stock Account will be invested in the Solutia Employee Stock Account and dividends paid on Monsanto stock in the Monsanto Company Match Account will be invested in the Solutia Company Match Account. No future contributions may be invested in this fund and no past contributions can be transferred to this fund. No investment expenses are charged at this time; however, amounts invested in the Non-Employer Stock Fund are charged for administrative expenses as described in "Plan Expenses" on page 6. Monsanto Company common stock is publicly traded and its *Wall Street Journal* symbol is "MTC."

How the Plan Works *(cont'd)*

INVESTMENT FUNDS PERFORMANCE

The following chart shows what a dollar would be worth on June 30, 1997 if it were invested in SIP at various times in the past. Remember, however, past performance may not accurately predict future performance of an investment option.

For Period Ending June 30, 1997
Value of $1 Invested in the SIP Investment Options[1]

	Number of Years Ago					
	10	5	4	3	2	1
Pre-Mixed Portfolios [6]						
Conservative	$2.94	$1.74	$1.56	$1.47	$1.29	$1.15
Moderate	3.19	1.90	1.67	1.60	1.36	1.19
Moderately Aggressive	3.33	2.00	1.74	1.64	1.40	1.19
Aggressive	3.75	2.22	1.89	1.79	1.47	1.21
Fixed Income Fund	2.50	1.46	1.33	1.23	1.15	1.07
Balanced Fund [2]	3.26	2.07	1.75	1.70	1.41	1.22
U. S. Equity Index Fund [3]	3.87	2.44	2.15	2.13	1.69	1.34
Growth and Income Equity Fund [5]	3.98	2.31	1.95	1.93	1.54	1.29
Growth Equity Fund [2]	4.68	2.45	1.92	1.93	1.48	1.19
International Equity Fund [4]	2.62	1.88	1.77	1.45	1.39	1.18
Non-Employer Stock Fund [7]	7.19	4.54	4.19	3.17	2.58	1.40
Employer (Solutia) Stock Fund [8]	—	—	—	—	—	—

[1] The investment results shown are the investment results of the Monsanto SIP and are net of administrative fees and investment manager fees and expenses. Administrative fees of .07% for years prior to 1997 and .10% for 1997 were deducted from performance results and are an estimate of what they would have been over the period had they been charged to participants. Administrative expenses have been charged against SIP participants' accounts since April 1, 1995. See "Plan Expenses" on page 6.

[2] The investment results reflect the published data from the mutual fund in which participants' funds are allocated. See "Investment Choices" on pages 6-10.

[3] The fund began on December 20, 1994. The investment results are those of the Standard & Poor's 500 Index total return and not those of the collective trust in which participants' contributions to this fund will be invested. This fund will be invested in the Mellon Bank, N.A. EB Daily Liquidity Stock Index fund. Returns for the U. S. Equity Index Fund are expected to be similar to those of the Standard & Poor's 500 Index over longer periods of time. The investment results shown are net of estimated manager fees of .05%.

[4] The investment results are the published data from the T. Rowe Price Foreign Equity Fund, the mutual fund in which SIP participants' contributions to this fund are invested, since it began on September 7, 1989. Prior to this date, published data from the T. Rowe Price International Equity Fund, a similar fund to the Foreign Equity Fund managed by Rowe Price-Fleming International, Inc., were used.

[5] The investment results are a composite return of actual results earned on funds managed by the individual managers for the pension trust. (Equinox Capital Management, one of the five fund investment managers, began managing funds for the pension trust on December 12, 1992. Performance data for the Russell 1000 Value Index, an index that closely matches the investment style of the manager, were used prior to December 12, 1992.) Returns for each of the five managers of the fund were combined in equal proportions for return display purposes. The investment results shown are net of estimated manager fees of .41%.

[6] The investment results are calculated using the returns from the Fixed Income, Balanced, U. S. Equity Index, Growth and Income Equity, Growth Equity, and International Equity Funds, shown above, as applicable, in their proportional weights for each pre-mixed fund, as described earlier. See "Investment Choices" on pages 6-10.

[7] The investment results are based on results for common stock of Monsanto before the spinoff of Solutia Inc. Due to the new composition of Monsanto as a result of the spinoff of Solutia Inc., the past performance of the Non-Employer Stock Fund may not accurately predict the future performance of that fund.

[8] This fund did not begin until September 1, 1997, so there are no historical investment results.

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

DEPARTMENT OF LABOR 404(c) REGULATIONS

The "Pension and Savings Funds Committee" is the "Named Fiduciary" under the plan with the authority to manage and control the assets of the trust. Portions of the plan are intended to comply with Section 404(c) of ERISA. The fiduciaries of the plan may be relieved of liability for any losses which are the direct and necessary result of investment instructions given by a participant or beneficiary.

DIRECT ROLLOVERS TO SIP

Active participants may elect to directly roll over eligible taxable lump sum payouts or partial distributions from qualified pension and defined contribution plans from previous employers (other than the company, its subsidiaries and affiliates) into SIP. Rollovers from IRAs will not be accepted, nor will installment or annuity distributions over a period exceeding the lesser of 10 years or your life expectancy; minimum required distributions at or after age 70-1/2; or shares of stock, bonds, other securities or other non-cash items.

In order to make a direct rollover, you will need to call the Benefits Line and request an "Application for Direct Rollover." After completing this form, submit it to the Benefits Center along with the following documentation:

- a check issued by the prior plan and made payable to "Solutia Savings & Investment Plan FBO (for the benefit of) (participant's name)";
- a distribution statement or IRS Form 1099-R from the prior plan itemizing the amount of the distribution and the taxable portion; and
- a copy of the prior plan's summary plan description or other proof that the prior plan was qualified under Section 401(a) of the Internal Revenue Code.

Direct rollover amounts will be treated as before-tax contributions and will be subject to SIP's before-tax rules, including those relating to loans, distributions and investment transfers. Company Match contributions are not made on direct rollover amounts.

Direct rollover checks received by the Benefits Center will be approved after the complete documentation is received and will be deposited into your Rollover Account and invested in accordance with your investment election.

PERIODIC STATEMENTS

As long as you have an account balance or activity in your account during a period, you will receive a personalized statement to report your balances. Currently, statements are distributed quarterly to reflect the amount in your accounts by investment choice as of the beginning and end of the quarter and any activity during the period.

VESTING RIGHTS

"Vesting" is used to determine the percentage of your Company Match Account you will receive if you terminate employment. You are always 100% vested in the current value of your contributions (after-tax and before-tax) and earnings on those contributions.

How the Plan Works *(cont'd)*

SECTION I: Putting Money Into SIP (cont'd)

If you had at least three years of Vesting Service and were an active employee of Monsanto on January 1, 1997, you are 100% vested in the Company Match.

Otherwise, you earn a 20% vested right in the Company Match for each full year of Vesting Service (defined below) that you complete. After five years of Vesting Service, you are fully vested. If you incur a Break in Service (defined below) before completing five years of Vesting Service, the non-vested portion of your Company Match Account will be forfeited. Forfeitures are applied to reduce future matching contributions by your employer.

If you are re-employed by the company or a subsidiary before you incur five consecutive one-year Breaks in Service, the forfeited Company Match will be restored to your Solutia Company Match Account. If you complete five years of Vesting Service (including your years of Vesting Service before such Break in Service), you will become 100% vested in your Company Match Account, including the restored forfeited amount.

No matter how many years of Vesting Service you have, you are automatically vested 100% if, while an active employee, you reach age 65, die, or become disabled. Disabled means you are unable to perform, with or without reasonable accommodation, any reasonable occupation for which you are qualified or may become qualified by virtue of education, training/or experience.

Following are key definitions used to determine whether you are vested:

- *Hour of service:* In general, an hour of service means each hour for which you are paid (either directly or indirectly) or are entitled to payment from the company or a subsidiary including payment for time not actually worked. This would include holidays, vacation, and temporary disability.

  In addition, if you became employed by Solutia on September 1, 1997, you were credited with hours of service equal to your hours of service under the Monsanto SIP as of August 31, 1997.
- *Year of Vesting Service:* **You began to receive Vesting Service on your first day at work.** You are credited with one month of Vesting Service for each month during which you have an hour of service. You will be credited with one year of Vesting Service for each 12 months of Vesting Service you earn. In addition, if you became employed by Solutia on September 1, 1997, you were credited with years of Vesting Service equal to your years of Vesting Service under the Monsanto SIP as of August 31, 1997. You may be eligible to be credited with additional years of Vesting Service based on work done for Solutia while self-employed or while working for a third party. Contact the Benefits Center if this may be applicable to you.
- *Break in Service:* You will incur a one-year Break in Service if you do not complete an hour of service in any 12-month period.

How the Plan Works *(cont'd)*

SECTION II: Making Changes In SIP

In the first section, we reviewed the three questions you need to answer as you put money into SIP: what percentage of eligible pay to contribute; how to split your contributions between after-tax and before-tax; and how to invest your contributions.

The chart shown below sketches how you can change any of those decisions while you are an active employee.

MAKING CHANGES IN SIP

IF YOU WANT TO —	THEN CALL THE BENEFITS LINE AND YOUR ELECTION WILL BE EFFECTIVE —
Enroll in SIP or change the percentage of eligible pay you are contributing	As soon as administratively possible but no later than your third paycheck after you call
Change how your FUTURE contributions are invested	The following business day
Transfer the value of your EXISTING balances among the investment choices	That day provided you call by 3:00 p.m. Central time on any business day; otherwise, the next business day

TRANSFER OF EXISTING BALANCES

You may elect to transfer all or a portion of your existing balances among the various investment funds (excluding the Non-Employer Stock Fund) and the pre-mixed portfolios. The transfer of existing balances can be done by either:

- electing to transfer a specific dollar amount or 100% of the amount in an investment fund or pre-mixed portfolio to another investment fund (excluding the Non-Employer Stock Fund) or pre-mixed portfolio; or
- reallocating your existing balances by electing percentages to be invested in each of the investment funds (excluding the Non-Employer Stock Fund) and pre-mixed portfolios.

Transfers of existing balances will not include the portion of your Company Match Account invested in the Employer Stock Fund.

There are two limitations on transferring existing balances: (1) you may transfer amounts into the Employee Stock Account portion of the Employer Stock Fund to the extent such transfer would result in more than 30% of your balances being invested in your Solutia Employee Stock Account; and (2) you may transfer amounts out of the Non-Employer Stock Fund, but you cannot transfer amounts into the Non-Employer Stock Fund.

The value of the portion of your Solutia Employee Stock Account transferred to the other investment funds (excluding the Non-Employer Stock Fund) or to the pre-mixed portfolios will be based on the closing value of the Solutia Employee Stock Account portion of the Employer Stock Fund as of the business day in which the transfer is made.

How the Plan Works *(cont'd)*

SECTION II: Making Changes In SIP (cont'd)

COMPANY MATCH STOCK TRANSFER ELECTION

If you have a Monsanto Company Match Account, you can transfer all or part of such account to the other investment funds and/or the pre-mixed portfolios. In addition, if you are either (1) an active employee who is at least age 50 and fully vested or (2) a former employee who is in deferral status or who is receiving installment payments, you can transfer all or part of your Solutia Company Match Account in the Employer Stock Fund to the other investment funds (excluding the Non-Employer Stock Fund) and/or the pre-mixed portfolios.

Important notes:

- All amounts in your Solutia Company Match Account and Monsanto Company Match Account which are transferred to the other investment funds and/or the pre-mixed portfolios will continue to be accounted for separately and will be subject to the loan and withdrawal restrictions on your Company Match Account.
- If you transfer all or a portion of your Monsanto Company Match Account into the Employer (Solutia) Stock Fund, you will not be able to transfer such amounts to the other investment funds and/or the pre-mixed portfolios until the earlier of (a) the date you reach age 50; or (b) the date you terminate employment.

Company Match Stock Transfer Elections may be made at any time. The value to be transferred will be based on the closing value of the Company Match Account portion of the Employer Stock Fund as of the business day in which the transfer is made.

Minimum Price Election vs. Market Price Election

When you elect to make a Company Match Stock Transfer of amounts in your Solutia Company Match Account, you will have two options — a Minimum Price Election or a Market Price Election. If you elect to make a Minimum Price Election, you will be asked to specify a minimum value that the stock must equal or exceed at the end of the business day in which the request is made before the transfer will take place. This feature protects the value of your account against a sudden drop in the stock market. For example, if you choose $25 per share as the lowest acceptable market price for your transfer and the stock was valued at $20 at the end of the day, no transfer would be made and your request will be canceled.

On the other hand, if you make a Market Price Election by 3 p.m. Central time on any business day, the transfer will take place that day, regardless of the closing stock price on that day. If you elect to make a Company Match Stock Transfer Election of amounts in your Solutia Company Match Account, such transfer will automatically be a market price election.

Investment Of Diversified Company Match Account Amounts

When you elect to make a Company Match Stock Transfer, you must specify how the value transferred out of the Employer Stock Fund and/or the Non-Employer Stock Fund should be invested, in 1% increments, among the other investment funds (excluding the Non-Employer Stock Fund) and/or pre-mixed portfolios. Amounts transferred to the other investment funds and/or pre-mixed portfolios as a result of a Company Match Stock Transfer Election are sometimes called "diversified Company Match Account amounts."

After the transfer occurs, you can make additional transfers of your diversified Company Match Account amounts among the other investment funds (excluding the Non-Employer Stock Fund) and/or pre-mixed portfolios. You will need to elect how your diversified Company Match Account amounts are to be invested (in 1% increments) after the transfer. (If you make a transfer of existing balances [see page 14], such transfer will include your diversified Company Match Account amounts.)

In addition, you will be able to transfer amounts back into the Employer Stock Fund. See "Company Match Reallocation Election" on page 16. You will not, however, be able to transfer amounts back into the Non-Employer Stock Fund.

How the Plan Works *(cont'd)*

SECTION II: Making Changes In SIP (cont'd)

How To Make Your Election

You must call the Benefits Line by 3 p.m. Central time on any business day for your Company Match Stock Transfer Election to be effective that day. To make such an election, you will need to speak to a Benefits Center Representative. You will need to either specify a dollar amount or indicate that you want 100% of your Solutia Company Match and/or Monsanto Company Match balance to be transferred. You will receive a confirmation of your Company Match Stock Transfer Election.

You need to keep in mind...

Once you make a Company Match Stock Transfer Election, there are several things to keep in mind:

- The Company Match on future contributions will continue to be invested in the Employer Stock Fund. You can then make a Company Match Stock Transfer Election for those amounts.
- The beneficial tax treatment for "Unrealized Appreciation" applies only to stock and consequently will not apply to Company Match balances transferred to other funds and/or subsequently distributed in cash. See page 35 for a more complete explanation of "Unrealized Appreciation."
- The Company Match Stock Transfer Election option provides you with greater investment flexibility by allowing you to diversify your account balance as you approach retirement age. It is your decision whether to exercise this option.

COMPANY MATCH REALLOCATION ELECTION

If you make a Company Match Stock Transfer Election with respect to amounts in your Solutia Company Match Account, you may subsequently transfer all or a portion of such Company Match amounts invested in the pre-mixed portfolios or the other investment funds into the Employer Stock Fund. Your reallocation election must specify, in 1% increments, the percentage of your diversified Company Match Account amounts to be reinvested in the Employer Stock Fund as well as the percentages to be invested in the pre-mixed portfolios and other investment funds (excluding the Non-Employer Stock Fund) after the transfer.

If you make a reallocation election while an active employee, the amount transferred into the Employer Stock Fund may only be transferred out of the Employer Stock Fund by making a Company Match Stock Transfer Election or at the time of a distribution or deferral election.

You will need to call the Benefits Line by 3 p.m. Central time on any business day for your Company Match Reallocation Election to be effective that day. To make a Company Match Reallocation Election, you will need to speak to a Benefits Center Representative. You will receive a confirmation of your Company Match Reallocation Election.

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP

There are five ways you can get your money out of SIP: withdrawals, loans, final distributions after termination or retirement, partial distributions after termination or retirement, and installment payments after termination or retirement. (If you retire or terminate employment, you may be able to defer receiving a final distribution.) Your employment status — whether you are an active employee or a terminated or retired employee — and age will determine which options are available to you.

You may recall that there are two options for putting money into SIP: after-tax and before-tax. **Note that the withdrawal provisions described below apply only to your after-tax money and the Company Match if you are under age 59-1/2.** In other situations, your before-tax money may also be available.

The charts below summarize your options for taking money out of SIP. Following the charts is a more detailed description of each of those options.

A few notes about the options for taking money out of SIP described on the following pages:

- They are not necessarily exclusive of each other. For example, as an active employee, you may be able to take a withdrawal as well as a loan. As a terminated employee, you may elect to defer your SIP distribution and then elect either a final distribution or installment payments.
- All payments are based on the value of each SIP account as of the day your request is processed by the Benefits Center. Your request will be processed as soon as administratively possible after your signed documentation is received in the Benefits Center, usually within two business days.
- Tax information is included beginning on page 31 to provide an overview of the impact of your choices.

Taking Money Out Of SIP – Your Options

YOUR STATUS	*OPTIONS*	*HIGHLIGHTS*	*SEE PAGES*
ACTIVE EMPLOYEE	Withdrawal (In-Service and Age 59-1/2)	At any age, can withdraw your after-tax contributions and earnings. If you have at least five years of SIP participation (including your Monsanto SIP participation if you became a Solutia employee on September 1, 1997), can withdraw all Company Match on before-tax and after-tax contributions. At and after age 59-1/2, can also withdraw your before-tax contributions and earnings. Minimum withdrawal is $200.	20
	Loan	You can borrow from your After-Tax and Before-Tax Accounts. Minimum loan amount is $1,000. Maximum loan is the lesser of: (1) 50% of vested account balances (including Company Match), or (2) $50,000 minus highest outstanding loan balance in last 12 months. Two outstanding loans at a time. From 12- to 60-month pay-back period.	21-22

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Taking Money Out Of SIP – Your Options (cont'd)

YOUR STATUS	OPTIONS	HIGHLIGHTS	SEE PAGES
EMPLOYEE WHO LEAVES EMPLOYMENT	Final Distribution	You receive the entire balance of your accounts. Any remaining unpaid loan balance is canceled, taxed and subtracted from amount you receive.	23
	Deferral	If you are under age 70-1/2, deferral is automatic at time of termination. Can end deferral anytime up to the April 1st of the calendar year following the calendar year in which you reach age 70-1/2. You can leave stock in your Company Match Account as stock or have all or part (in 1% increments) of it converted to cash and transferred to any of the other investment funds (excluding the Non-Employer Stock Fund) or pre-mixed portfolios. You can make separate elections for your Monsanto Company Match Account and your Solutia Company Match Account. Choice of repaying loan within two months after terminating employment. Two partial distributions (minimum $200) per calendar year will be allowed. When you end deferral, you can elect final distribution or installment payments (if account balance above $3,500).	23-25
	Installment Payments	Need account balance above $3,500. You select either payment period (one year to a maximum depending on your age) or specific dollar amount per payment. You select payment interval (monthly, quarterly, annually). Accounts remain invested in accordance with your current investment election. Can make investment transfers at any time. Twice per calendar year, can take a partial distribution (minimum $200). Can change payment period or interval at any time.	25-28

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Taking Money Out Of SIP – Your Options (cont'd)

YOUR STATUS	OPTIONS	HIGHLIGHTS	SEE PAGES
DEATH	Deferral	A SIP beneficiary who is a surviving spouse may defer distribution up to December 31 of the calendar year in which the participant would have reached 70-1/2 (or December 31 of the calendar year after the year in which the participant died, if later). Such surviving spouse may take up to two partial distributions (minimum $200) per calendar year while in deferral status. At the end of the deferral period, the surviving spouse will begin to receive minimum distribution payments, unless a separate distribution election is made. A SIP beneficiary who is not a surviving spouse may elect to defer distribution for up to five years from the date the participant died.	28
	Final Distribution	A SIP beneficiary may elect to receive a final distribution either immediately or at any time up to the end of the deferral period.	28
	Installment Payments	A SIP beneficiary who is a surviving spouse may elect to receive installment payments provided account balance is above $3,500. Surviving spouse selects either payment period (not to exceed participant's life expectancy) or fixed dollar amount. Surviving spouse also elects payment interval (monthly, quarterly, annually). Can change payment period or interval at any time. Can take two partial distributions (minimum $200) per calendar year.	28

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

WITHDRAWALS (IN-SERVICE AND AGE 59-1/2)

In-Service Withdrawals

If you are under age 59-1/2, you can withdraw money only from your After-Tax Account and the Company Match Account — not from your Before-Tax Account or your Rollover Account.

You can withdraw any amount from your After-Tax Account and your Company Match Account, with one exception. If your combined years of participation in this plan and Monsanto's SIP are less than five, you cannot withdraw matching contributions credited to your Company Match Accounts in the last 24 months and any portion of your Company Match Accounts in which you are not vested. You can specify the exact amount you want to withdraw ($200 minimum) or you can withdraw 100% of the amount available.

If you elect an in-service withdrawal, the money will be withdrawn first from your After-Tax Account pro-rata across all your investment choices and secondly from your Solutia and Monsanto Company Match Accounts pro-rata.

(When it comes time to report to you and the IRS which withdrawn amounts are taxable and nontaxable, there are different rules to determine the order in which money is withdrawn. See the Tax Information section on pages 31-36.)

Age 59-1/2 Withdrawal

After you reach age 59-1/2 as an active employee, you can withdraw any amount from your After-Tax Account, Before-Tax Account, Rollover Account and your Company Match Accounts, with one exception — you cannot withdraw any portion of your Company Match Accounts in which you are not vested. You can specify the exact amount you want to withdraw ($200 minimum) or you can withdraw 100% of the amount available.

If you elect an age 59-1/2 withdrawal, the money will be withdrawn first from your After-Tax and Before-Tax Accounts pro-rata across all your investment choices and secondly from your Solutia and Monsanto Company Match Accounts pro-rata.

How And When To Apply For An In-Service Or Age 59-1/2 Withdrawal

Call the interactive voice response system — the Benefits Line — between 5 a.m. and 1 a.m. Central time, Monday through Saturday. If you withdraw any portion of your Employee Stock Account or your Company Match Account, you can elect to receive such amounts in cash or in shares of Monsanto and/or Solutia stock. You will make separate elections for your Monsanto Employee Stock Account, your Solutia Employee Stock Account, your Monsanto Company Match Account and your Solutia Company Match Account. If you want to receive shares of Monsanto and/or Solutia stock, you will need to call and speak to a Benefits Center Representative. Representatives are available from 8 a.m. to 8 p.m. Central time, Monday through Friday. When you elect a withdrawal, you will need to indicate whether you want the withdrawal amount paid directly to you or rolled over to an IRA. If you elect to have the withdrawal rolled over to an IRA, you will need to speak to a Benefits Center Representative. You will receive a confirmation notice of your request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your withdrawal request will be canceled.**

If you are receiving Monsanto and/or Solutia stock, your stock certificate(s) will be sent separately from your check.

If you have diversified Solutia Company Match Account amounts invested in the other investment funds and/or pre-mixed portfolios and you want to receive such amounts as Solutia stock, you will need to make a Company Match Reallocation Election (see page 16) at the time you make your withdrawal request.

Tax Information

You will pay ordinary income tax and possibly an additional 10% income tax on the taxable portion of your withdrawal. See the Tax Information section on pages 31-36.

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

LOANS

You can borrow from your After-Tax and Before-Tax Accounts in $1 increments. You can take from 12 to 60 months to pay yourself back. You cannot take a loan if your vested account balance is less than $2,000 or if you are in deferral or installment status.

You cannot borrow from the Company Match.

How Much

If your total vested SIP balance is over $2,000, the least amount you can borrow is $1,000, and the most you can borrow is the lesser of:

- $50,000 minus the highest outstanding loan balance you had in the last 12 months, or
- 50% of your total vested SIP balance.

Note that you cannot borrow from the Company Match (including diversified Company Match Account amounts which are invested in the other investment funds and/or pre-mixed portfolios), but the value of your Company Match Account is counted when determining your total vested SIP balance.

How Often

Loans can be requested at any time. However, you can only have two outstanding loans at a time. The total amount of the two loans cannot exceed your loan maximum.

Interest Rates

Interest rates are set quarterly for new loans. Currently, the rate is based on the prime interest rate.

When you take out a loan, the interest rate will be determined as of the effective date of the loan and will not change for the life of your loan.

How Long

You can establish a loan repayment schedule from 12 to 60 months. You can pay off the remaining balance of your loan with no prepayment penalty. Partial prepayments are not allowed.

How And When To Apply

To request a loan, call the Benefits Line.

Two copies of a "Promissory Note/Disclosure Statement" will be completed and sent for you to sign. It will show all the specifics — the annual rate of interest, the total amount of interest you'll pay and the actual payroll deduction from each paycheck. **You must sign one copy of the "Promissory Note/Disclosure Statement" and return it so that it is received in the Benefits Center by the date indicated in the Promissory Note/Disclosure Statement or your loan request will be canceled.** Your loan check will be mailed to you within one week after your signed Promissory Note/Disclosure Statement is received by the Benefits Center.

Sources Of Loan Funds

If you have both Before-Tax and After-Tax Accounts, your loan will be secured first by your Before-Tax Account and then by your After-Tax Account. The money for your loan will be taken from your investment funds and/or pre-mixed portfolios on a pro-rata basis.

Repaying A Loan

You have to repay your loan through payroll deduction with each paycheck. You can make an early repayment by personal check, but it must be for the total outstanding loan balance. Call the Benefits Line to request payoff of your loan. After all payroll deductions have been stopped, you will receive a notice informing you of the final loan

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Loans (cont'd)

payoff amount. You will need to send this amount to the Benefits Center by the date specified on the notice. Otherwise, payroll deductions will resume.

Loan principal: you will be paying back your After-Tax Account first, then your Before-Tax Account. Thus, you are first paying back the After-Tax Account which is more readily available for withdrawal than your Before-Tax Account.

Loan interest: interest payments on the outstanding loan balance will be allocated between your After-Tax and Before-Tax Accounts in proportion to the outstanding loan balance due to both.

Both principal and interest payments will be split among the investment funds and/or pre-mixed portfolios, depending on your then-current investment election. If no election is currently on file, the payments will be invested in the Fixed Income Fund.

If you are not able to repay your loan within the required 60-month maximum repayment period as a result of layoff, unpaid leave of absence, or any other reason: a taxable distribution to you in the amount of the unpaid loan balance will be declared at the earlier of a final distribution or the end of the maximum 60-month repayment period. With respect to any amounts secured by your Before-Tax Account, you will still be obligated to repay the loan and interest will continue to accrue on the outstanding balance until you are able to take a before-tax distribution. If you return to employment before receiving a taxable distribution, you will have two choices on how to repay the remaining balance on your loan: (1) write a personal check to make up for missed payments or to pay off your loan completely, or (2) increase the repayment amount deducted from your paychecks so that your loan is paid off by the original maturity date.

What Happens To Your Loan If You Have An Outstanding Loan Balance And Elect Other SIP Payments

If you have an outstanding loan balance and

- You elect an in-service withdrawal and are under age 59-1/2: you must continue to repay the outstanding loan balance.
- You elect an age 59-1/2 withdrawal: you continue to repay the outstanding loan balance unless you specifically request to cancel your loan (in which case the outstanding loan balance is included in the amount reported to the IRS as distributed to you, but it is not actually included in your withdrawal amount).
- You receive a final distribution (no matter what your age): your loan is canceled — you don't need to "pay it off." Because you already received the money, the outstanding loan balance is included in the amount reported to the IRS as distributed to you, but it is not actually included in the amount distributed to you at this time.
- You elect the deferral option: you have a choice of paying off your loan or not.
- You elect installment payments: you have a choice of paying off your loan or not.

If you have a choice of paying off your loan or not, and you do not pay off your loan within two months after your termination of employment, your loan balance will be considered as distributed to you and reported to the IRS as a distribution for income tax purposes. This can impact whether a distribution in a later year would qualify for lump sum tax treatment. If you want to roll over your taxable loan amount, you must repay the loan before you receive the distribution or you must find other money equal to the loan amount to roll over. See the Tax Information section on pages 31-36.

Loan Interest Payments

The interest you pay on your loan is considered as earnings on your SIP accounts. Therefore, it will be taxable just like other SIP earnings when paid out of the plan (even though you have paid interest with after-tax dollars and, under current law, the interest generally is not tax-deductible).

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

FINAL DISTRIBUTION AFTER TERMINATION OF EMPLOYMENT OR RETIREMENT

When you retire or terminate employment, or any time during your deferral period, you can elect to receive a final distribution.

How Much

If you request a final distribution, you will receive the full value of all your SIP accounts — after-tax, before-tax, rollover and Company Match.

Distribution of your investments in pre-mixed portfolios and the Fixed Income, Balanced, U. S. Equity, Growth and Income Equity, Growth Equity and International Equity Funds will be in cash.

You have three choices as to the Solutia stock in your Solutia Employee Stock Account and amounts in your Solutia Company Match Account: 100% shares of Solutia stock; 100% cash; or a portion, in specific number of shares, of the account as Solutia stock and the remaining portion in cash. You will make a separate election for your Solutia Employee Stock Account and your Solutia Company Match Account. (If you elect to take any portion as shares of stock, any fractional shares in your account will be paid in cash.) If you do not make an election, your Solutia stock in both accounts will be converted to cash.

Similarly, you have three choices as to the Monsanto stock in your Monsanto Employee Stock Account and amounts in your Monsanto Company Match Account: 100% shares of Monsanto stock; 100% cash; or a portion, in a specific number of shares, of the account as Monsanto stock and the remaining portion in cash. You will make a separate election for your Monsanto Employee Stock Account and your Monsanto Company Match Account. (If you elect to take any portion as shares of stock, any fractional shares in your account will be paid in cash.) If you do not make an election, your Monsanto stock in both accounts will be converted to cash.

If you have diversified Solutia Company Match Account amounts invested in the other investment funds and/or pre-mixed portfolios and you want to receive all or part of these amounts as Solutia stock, you must make a Company Match Reallocation Election (see page 16) when you make your final distribution request.

With a final distribution, any unpaid SIP loan you have is canceled. The outstanding loan balance is considered as part of your final distribution for tax purposes, but will not be included in your payment since you have previously received that money.

How And When To Apply

After you terminate employment, you will be sent a SIP Payment Options Notice. You may call the Benefits Line any time AFTER you receive this notice. You will then receive a confirmation of your final distribution request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your final distribution request will be canceled.**

Tax Information

You may have to pay ordinary income and possibly an additional 10% income tax on the taxable portion of your distribution. Your distribution may qualify for five or 10-year averaging. You may be able to roll over your distribution. Special rules apply if part of your distribution is in stock. See the Tax Information section on pages 31-36.

DEFERRAL AT TERMINATION OF EMPLOYMENT OR RETIREMENT

If you terminate employment or retire before age 70-1/2, you can elect to defer receiving your SIP money. After you terminate employment or retire, your accounts will automatically be put in deferral status until you elect a final distribution or begin installment payments.

Length Of Deferral

You can end deferral at any time up to the April 1st of the calendar year following the calendar year in which you reach age 70-1/2. If you make no payment election prior to age 70-1/2, you will begin receiving minimum distribution payments in December of the calendar year in which you reach age 70-1/2. You will be notified in writing before any payments begin.

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Deferral At Termination Of Employment Or Retirement (cont'd)

Investment Of Accounts During Deferral

Amounts in your After-Tax and Before-Tax Accounts remain invested in accordance with your latest investment election unless you make an investment transfer election. While you are in deferral status, you will be able to make investment transfers, subject to the rules and limitations described on page 14.

You can choose to keep all or part (in 1% increments) of your Solutia Company Match Account invested in the Employer Stock Fund. If you do not make an election, your Solutia Company Match Account will remain invested in the Employer Stock Fund. You may elect to have all or part of your Solutia Company Match Account transferred to the other investment funds (excluding the Non-Employer Stock Fund) and/or pre-mixed portfolios pursuant to a Company Match Stock Transfer Election (see pages 15-16). In addition, you will be able to transfer amounts back into the Employer Stock Fund. To transfer your diversified Solutia Company Match Account amounts, you must make a Company Match Reallocation Election (see page 16). In addition, you can choose to keep all or part (in 1% increments) of your Monsanto Company Match Account in the Non-Employer Stock Fund. If you do not make an election, your Monsanto Company Match Account will remain invested in the Non-Employer Stock Fund. You may elect to have all or part of your Monsanto Company Match Account transferred to the other investment funds and/or pre-mixed portfolios pursuant to a Company Match Stock Transfer Election (see pages 15-16).

Remember, amounts transferred out of the Employer and Non-Employer Stock Funds Company Match Accounts continue to be accounted for separately.

Loan Balance

If you repay any outstanding loan balance in full within two months after your employment ends, your loan will not be reported as current taxable income at the time of your termination of employment. However, if you do not repay your loan balance within two months after you terminate employment, your loan balance will be considered as distributed to you when you terminated employment and reported as a distribution for income tax purposes. This could mean that you will have a SIP distribution in two different calendar years — when you terminate employment and when the deferral ends. This may preclude the distribution at the end of your deferral from qualifying for a lump sum distribution. See the Tax Information section on pages 31-36.

Partial Distributions

While in deferral, you will be able to take two partial distributions (minimum $200) per year. If you will be receiving any portion of your Employee Stock Account or your Company Match Account, you can elect to receive such amounts in cash or in shares of Monsanto and/or Solutia stock. You will make separate elections for your Monsanto Employee Stock Account, your Solutia Employee Stock Account, your Monsanto Company Match Account and your Solutia Company Match Account. If you want to receive shares of Monsanto and/or Solutia stock, you will need to call and speak to a Benefits Center Representative. When you elect a partial distribution, you will need to indicate whether you want the distribution amount paid directly to you or rolled over to an IRA or to another qualified plan that accepts rollovers. If you elect to have the distribution rolled over to an IRA or another qualified plan, you will need to speak to a Benefits Center Representative. You will receive a confirmation notice of your request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your partial distribution request will be canceled.**

If you are receiving Monsanto and/or Solutia stock, your stock certificate(s) will be sent separately from your check.

If you have diversified Solutia Company Match Account amounts invested in the other investment funds and/or pre-mixed portfolios and you want to receive these amounts as Solutia stock, you must make a Company Match Reallocation Election (see page 16) when you request the partial distribution.

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Deferral At Termination Of Employment Or Retirement (cont'd)

Direct Rollovers From Solutia/Subsidiary Plans Into SIP

If you either (1) retired on or after February 1, 1994, or (2) terminated employment on or after March 31, 1995, with an existing SIP account and elected either deferral or installment payments, you may elect to directly roll over eligible lump sum payouts or partial distributions from qualified Solutia and subsidiary pension and/or savings plans into SIP.

If you elect to make a direct rollover from a qualified Solutia pension plan, you will need to complete the pension direct rollover election form included in your pension retirement package and indicate, in 1% increments, how you want your rollover amount invested among the pre-mixed portfolios and investment funds (excluding the Non-Employer Stock Fund). Your rollover election form must be returned to the Benefits Center, along with your other retirement papers, by the last business day of the month prior to the Benefit Commencement Date shown on your pension election form in order for the rollover to occur on the first of the month following your Benefit Commencement Date. Rollovers from qualified Solutia pension plans into SIP will be made by a transfer between plans, so you will not directly receive any funds.

If you elect to make a direct rollover from a qualified pension and/or savings plan of a subsidiary or non-participating business unit, you will need to complete an "Application for Direct Rollover" and follow the steps described on page 12.

Direct rollover amounts will be kept in a separate Rollover Account but will be treated as before-tax contributions. Company Match contributions will not be made on direct rollover amounts.

If You Die During Deferral

If you die while in deferral status and your surviving spouse is your SIP beneficiary (or one of your SIP beneficiaries), he or she will be able to elect to either receive an immediate final distribution or to defer receipt of the amount distributable to him or her up to the December 31 of the calendar year in which you would have reached age 70-1/2 (or December 31 of the calendar year after the year in which you died, if later). Beneficiaries other than your surviving spouse will be able to elect either to receive a final distribution as soon as practicable after your death or to defer receipt of the amount distributable to him or her for up to five years from the date of your death (see page 28).

Choices At End Of Deferral

At the end of the deferral period you may elect to receive a final distribution or, if your account exceeds $3,500, you may begin installment payments.

To End Your Deferral

Call the Benefits Line and request either a final distribution (see page 23) or installment payments (see below).

You will automatically begin to receive minimum distribution payments in December of the calendar year in which you reach age 70-1/2 if you've made no election by then.

Tax Information On Deferrals

While you defer, you owe no current income tax on your SIP accounts. Under current tax law, the taxable portion of a partial distribution received while in deferral is subject to ordinary income tax and may be subject to the additional 10% income tax. A final distribution may qualify for five or 10-year averaging. You may also be able to roll over a final distribution. See the Tax Information section on pages 31-36.

INSTALLMENT PAYMENTS AFTER RETIREMENT, TERMINATION OF EMPLOYMENT OR AT END OF DEFERRAL

When you retire or terminate employment, or any time during your deferral period, you can elect to begin receiving installment payments from SIP. The two types of installment payments under SIP are (1) "calculated" and (2) "fixed." Both types of installment payments are described below. In order to be eligible to receive installment payments, your account balance must be greater than $3,500 as of the date your installment payments begin.

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Installment Payments (cont'd)

Calculated Installment Payments

If you elect "calculated" installment payments, you select the payment period — from one year to a maximum period determined by your age at the time payments begin and your actuarial life expectancy, as shown on the chart below:

Your Age	Maximum Years of SIP Payments
41	41.5
42	40.6
43	39.6
44	38.7
45	37.7
46	36.8
47	35.9
48	34.9
49	34.0
50	33.1
51	32.2
52	31.3
53	30.4
54	29.5
55	28.6
56	27.7
57	26.8
58	25.9
59	25.0
60	24.2
61	23.3
62	22.5
63	21.6
64	20.8
65	20.0
66	19.2
67	18.4
68	17.6
69	16.8
70	16.0

To find out the maximum payment period for other ages, call the Benefits Line and speak to a Benefits Center Representative.

Under the calculated installment method, the amount you receive per payment depends on your SIP balance, the length of your payment period, your payment interval, SIP earnings and whether you make any withdrawals.

To estimate your payment, divide your total account balance (not including any unpaid loan balance) by the number of payments you elected. Each installment payment will be recalculated by dividing your account balance at the time payment is being made by the number of installment payments remaining.

Fixed Installment Payments

If you elect the "fixed" installment payments, you indicate the dollar amount of each installment payment. The amount you elect is paid in each installment payment until your SIP balance is zero.

How Often?

Under both the calculated and fixed installment payments, you select the payment interval — monthly, quarterly, annually.

Investment Of Accounts During Installment Payments

Amounts in your After-Tax and Before-Tax Accounts remain invested according to your latest investment election unless you make an investment transfer election. While you are receiving installments, you will be able to make investment transfers, subject to the rules and limitations described on page 14.

You can choose to keep all or part (in 1% increments) of your Solutia Company Match Account invested in the Employer (Solutia) Stock Fund. If you do not make an election, your Solutia Company Match Account will remain invested in the Employer (Solutia) Stock Fund.

You can also choose to keep all or part of your Monsanto Company Match Account invested in the Non-Employer (Monsanto) Stock Fund. If you do not make an election, your Monsanto Company Match Account will remain invested in the Non-Employer Stock Fund.

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)
Installment Payments (cont'd)

You may elect to have all or part of your Solutia Company Match Account and/or Monsanto Company Match Account transferred to the other investment funds (excluding the Non-Employer Stock Fund) and/or pre-mixed portfolios pursuant to a Company Match Stock Transfer Election (see pages 15-16). In addition, you will be able to transfer amounts back into the Employer (Solutia) Stock Fund. To transfer your diversified Solutia Company Match Account amounts, you must make a Company Match Reallocation Election (see page 16).

Remember, amounts transferred out of the Employer and Non-Employer Stock Funds Company Match Account continue to be accounted for separately.

Making Changes During Installment Payment Period

You can change the period over which your account is distributed (but never in excess of your life expectancy as shown in the chart on page 26) or the amount of your installment payments, as well as the frequency of payments at any time. To make a change in your installment payment, call the Benefits Center. You will then receive an installment election/change form which you must complete and return to the Benefits Center before your change will become effective. Note: once you start installment payments, you can only stop them by taking a final distribution.

To make an address change, call the Benefits Line.

If you want to change your withholding election, complete a Form W-4P and return it to the Benefits Center. This form can be obtained by calling the Benefits Line.

Loan Balance

If you have an outstanding loan balance, you have the option of repaying it within two months of the date you terminated employment. This will increase the value of your total SIP balance and the amount of subsequent payments to you. If you do not repay any outstanding loan balance within two months after your termination of employment, the outstanding loan balance will be considered to be a distribution at termination of employment and reported to the IRS as such for income tax purposes.

Partial Distributions During Installment Payment Period

Once installment payments begin, you will have two opportunities each calendar year to withdraw additional funds. To request a partial distribution (minimum $200), call the Benefits Line. You will receive a confirmation notice of your partial distribution request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your partial distribution request will be canceled.** You will receive a check, usually within two weeks after your signed confirmation notice is received by the Benefits Center.

To Apply For Installment Payments

Call the Benefits Line and request an installment election/change form. **You will need to sign and return the election form to the Benefits Center.** You will receive your first payment within two weeks after the Benefits Center receives your completed and signed election form. Subsequent installment payments will be made as of the end of a month.

To End Installment Payments

You can stop installment payments at any time by calling the Benefits Line and requesting a final distribution. You will then receive a confirmation of your distribution request. **You must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or your distribution request will be canceled.** You will receive a check, usually within two weeks after your signed confirmation notice is received by the Benefits Center.

Your installment payments will end automatically when your SIP account is depleted. If you die while receiving installments and your surviving spouse is your SIP beneficiary (or one of your SIP beneficiaries), your spouse will be able to elect to either receive an immediate final distribution or to defer receipt of the amount

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Installment Payments (cont'd)

distributable to him or her up to December 31 of the calendar year in which you would have reached age 70-1/2 (or December 31 of the calendar year after the year in which you die, if later). Beneficiaries other than your surviving spouse will be able to elect either to receive a final distribution as soon as practicable after your death or to defer receipt for up to five years from your date of death. See below.

Tax Information On Installment Payments

The taxable amount of an installment payment or other withdrawal will be subject to ordinary income tax and may also be subject to the additional 10% income tax. See the Tax Information section on pages 31-36.

OTHER CIRCUMSTANCES

Death

A surviving spouse who is a SIP beneficiary of a participant will be able to elect either to receive an immediate final distribution or to defer receipt of the amount distributable to him or her up to December 31 of the calendar year in which the participant would have reached age 70-1/2 (or December 31 of the calendar year after the year in which the participant died, if later). A surviving spouse who is a SIP beneficiary and who does not request a final distribution will have the amount distributable to him or her placed in deferral status. A surviving spouse who defers receipt will be able to take two partial distributions per calendar year. To request a partial distribution, a surviving spouse will need to call the Benefits Line. The surviving spouse will then receive a confirmation notice of his/her distribution request. **The surviving spouse must sign and return the confirmation notice so that it is received by the Benefits Center by the date indicated in the notice or the partial distribution request will be canceled.** A surviving spouse may elect to take a final distribution or begin installment payments at any time during the deferral period. A surviving spouse must call the Benefits Line to end deferral. However, if no election is made by the December of the calendar year in which the participant would have reached age 70-1/2, the surviving spouse will begin to receive minimum distribution payments.

While in deferral status, a surviving spouse will be allowed to make investment transfer elections with respect to amounts in the participant's After-Tax and Before-Tax Accounts subject to the rules and limitations described on page 14. A surviving spouse will also be able to make Company Match Stock Transfer Elections as described on pages 15-16 and Company Match Reallocations as described on page 16. A surviving spouse will not be able to make a direct rollover into SIP.

A SIP beneficiary who is not a surviving spouse will be able to elect either to receive an immediate final distribution or to defer receipt of the amount distributable to him or her for up to five years from the date of death. A beneficiary who is not a surviving spouse cannot elect installment payments.

The distribution will be reported to the IRS under the beneficiary's Social Security Number, and the beneficiary will be responsible for paying taxes on the taxable portion of the distribution. See the Tax Information section on pages 31-36.

Layoff

If you are on layoff, you can make SIP withdrawals, loans, and investment fund transfers as if you were an active employee. If you have not been recalled within one year of your layoff date, your employment will be considered terminated for purposes of SIP. You will be entitled to the options available to terminated employees or retirees (final distribution, deferral, installment payments — see pages 23-28).

Separation From Service If You Make No Election

If you separate from service for any reason and make no election for taking money out of SIP, deferral will be automatic.

Reaching Age 70-1/2

If you reach age 70-1/2, you must begin receiving required minimum distribution payments of your SIP accounts no later than April 1 of the following calendar year unless you are still

How the Plan Works *(cont'd)*

SECTION III: Taking Money Out Of SIP (cont'd)

Other Circumstances (cont'd)
employed by the company. You will receive an explanation of your options in January of the calendar year in which you reach age 70-1/2. Important Note: You will also be receiving benefits from other qualified plans. Consult your tax advisor about the tax consequences of these distributions.

Transfers To Non-Participating Organizations
If you transfer to a business unit or organization which has not adopted SIP, you will not be able to make contributions to SIP, but your SIP participation will continue. You will be able to make withdrawals as if you were an active employee of a participating employer. See page 20. In addition, you will continue repaying outstanding loans and will be eligible to make new loans. The rules on pages 21-22 will generally apply to any loan you make while employed by the non-participating organization. There are some differences though. First, your maximum loan amount may need to be adjusted to reflect any loan you may have taken out under a qualified plan maintained by the non-participating organization. Secondly, your loan repayments may or may not be made by payroll deduction. If not, you will need to make repayments by personal check. If you miss two consecutive repayments, your loan will be in default. You will be notified if this occurs.

If you terminate employment with the non-participating organization and Solutia, you will have the same options as an active employee who leaves employment (see pages 23-28).

Special Rules for Certain Participants

Salaried And Hourly Supplemental Participants
If your accounts under the Monsanto SIP were transferred to SIP and you are either (1) a salaried employee and you had your contributions to the Variable and Extended Benefit portions of the Monsanto Company Salaried Employees' Pension Plan (1976) (the "1976 Plan") transferred to the Monsanto SIP, or (2) an hourly-paid employee and you had your contributions to the Monsanto Company Hourly-Paid Employees' Pension Plan (1981) (the "1981 Plan") transferred to the Monsanto SIP, the following exceptions to the above description of SIP apply to you:

- In addition to the accounts described on page 5, you had established in your name an After-Tax Supplemental Account II for your contributions to the 1976 Plan or the 1981 Plan. No additional contributions may be made to your After-Tax Supplemental Account II.
- You are always 100% vested in your After-Tax Supplemental Account II.
- You may elect to transfer the amounts in your After-Tax Supplemental Account II among the pre-mixed portfolios and/or investment funds (excluding the Non-Employer Stock Fund) subject to the rules and limitations described on page 14.
- You can withdraw either one-half or all of your contributions in your After-Tax Supplemental Account II which have not been previously withdrawn. Earnings on your contributions cannot be withdrawn from your After-Tax Supplemental Account II until you terminate employment or elect to receive the maximum after-tax withdrawal.
- If you are contributing on either an after-tax or a before-tax basis and elect to receive a maximum in-service withdrawal or an age 59-1/2 withdrawal (see page 20), you will also receive distribution of the entire amount of your After-Tax Supplemental Account II (including earnings).
- In addition to borrowing from your After-Tax and Before-Tax Accounts, you may also borrow amounts from your After-Tax Supplemental Account II.

Special Rules for Certain Participants *(cont'd)*

Fovil Employees

If you are an employee of the Fovil group of the Fibers business unit, the following exception to the above description of SIP applies to you:

- For every dollar you contribute — up to and including the first 6% of your eligible pay (instead of 7%) — your employer contributes 50¢ which is automatically invested in the Employer Stock Fund.

Temporary Part-Time, Per Diem, Co-op, Summer Student, Seasonal And Other Non-Regular Employees

If you are a temporary part-time employee, per diem, co-op, summer student, seasonal employee or other "non-regular" employee, the following exception to the above description of SIP applies to you:

- You are eligible to join SIP and begin making after-tax and before-tax contributions as of the date you are hired by Solutia or a participating organization; however, Company Match contributions will only be made at the end of the calendar year if you have completed at least 1,000 hours of service during the calendar year. If you do not complete at least 1,000 hours of service during a calendar year, you will not receive a Company Match contribution for that calendar year.

Alternate Payees

Alternate Payees under a Qualified Domestic Relations Order will have the same options as an employee who leaves employment or retires (see pages 22-28). There is one exception: Alternate Payees cannot make direct rollovers into SIP.

Tax Information on Distributions

This information is a general summary of the federal income tax consequences of various SIP distributions. State and local income tax and withholding rules may differ. When you are eligible to receive a SIP distribution, you should consult a tax advisor regarding your specific situation.

Summary

A payment from SIP that is eligible for "rollover" can be taken in two ways. You can have all or any portion of your payment either **1. PAID IN A "DIRECT ROLLOVER,"** or **2. PAID TO YOU.** A rollover is a payment of your SIP benefits to your individual retirement arrangement (IRA) or to another employer plan which will accept the rollover. This choice will affect the tax you owe.

1. If you choose a DIRECT ROLLOVER, the portion of your payment rolled over:

- will not be taxed in the current year and no income tax will be withheld.
- will be paid directly to your IRA or, if you choose, to an employer plan that accepts your rollover.
- will be taxed later when you take it out of the IRA or the employer plan.

2. If you choose to have your SIP benefits PAID TO YOU:

- You will receive only 80% of the taxable amount of the payment, because the plan administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes.
- Your payment will be taxed in the current year unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe. However, if you receive the payment before age 59-1/2, you also may have to pay an additional 10% income tax.
- You can roll over the payment by paying it to your IRA or to another employer plan that accepts your rollover within 60 days of receiving the payment. The amount rolled over will not be taxed until you take it out of the IRA or employer plan.
- If you want to roll over 100% of the payment to an IRA or an employer plan, *you must find other money to replace the 20% that was withheld.* If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Payments That Can And Cannot Be Rolled Over

Payments from SIP may be **"eligible rollover distributions."** This means that they can be rolled over to an IRA or to another employer plan that accepts rollovers. The following types of payments *cannot* be rolled over:

Non-Taxable Payments

In general, only the taxable portion of your payment is an eligible rollover distribution. If you have made after-tax contributions, these contributions will be non-taxable when they are paid to you, and they cannot be rolled over.

If you made after-tax contributions before January 1, 1987, ("grandfathered" contributions) you may be able to withdraw these first to avoid paying tax on a distribution. However, any distributions in excess of such "grandfathered" contributions or any calculated installment payment will be at least partially taxable.

For tax purposes, if you take an in-service withdrawal before age 59-1/2, the distribution will include: first, your grandfathered after-tax contributions in your account as of December 31, 1986, if any, (non-taxable); second, proportionately your after-tax contributions after that date (non-taxable) and earnings on all after-tax contributions (100% taxable); and finally, your Company Match Account (100% taxable).

For tax purposes, if you either (1) are 59-1/2 or older and take a withdrawal while still employed, or (2) take a partial distribution after you terminate employment or (3) are receiving fixed installment payments, the distribution will include: first, your grandfathered after-tax contributions in your account as of December 31, 1986, if any, (non-taxable); second, proportionately your after-tax contributions after that date (non-taxable) and earnings on all after-tax contributions (taxable); third, your before-tax contributions and earnings on your before-tax contributions (100% taxable); fourth, your rollover contributions and earnings on your rollover contributions (100% taxable); and finally, your Company Match Account (100% taxable).

Tax Information on Distributions *(cont'd)*

Each calculated installment payment will be considered as paid partly from non-taxable and partly from taxable amounts in your SIP account.

Payments Spread Over Long Periods
You cannot roll over a payment if it is part of a series of equal (or almost equal) payments that are made at least once a year and that will last for the maximum payout period allowed by SIP based on your age or a period of ten years or more.

Required Minimum Payments
Once you reach age 70-1/2, a certain portion of your payment may not be eligible for rollover because it is a "required minimum payment" that must be paid to you.

Direct Rollover
You can choose a direct rollover of all or any portion of your payment that is an eligible rollover distribution, as described above. In a direct rollover, the eligible rollover distribution is paid directly from SIP to an IRA or another employer plan that accepts rollovers by means of a check or stock certificate issued in the name of the IRA or plan but sent to you at your home address. If you choose a direct rollover, you are not taxed on a payment until you later take it out of the IRA or the employer plan.

Direct Rollover to an IRA
You can open an IRA to receive the direct rollover. (The term "IRA," as used in this description, includes individual retirement accounts and individual retirement annuities.) If you choose to have your payment made directly to an IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to an IRA at that institution. If you want to roll over Solutia and/or Monsanto stock, be sure that the IRA can accept such stock. If you are unsure of how to invest your money, you can temporarily establish an IRA to receive the payment. However, in choosing an IRA, you may wish to consider whether the IRA you choose will allow you later to move all or part of your payment to another IRA, without penalties or other limitations. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on IRAs (including limits on how often you can roll over between IRAs).

Direct Rollover to a Qualified Plan
If you are employed by a new employer that has a qualified plan, and you want a direct rollover to that plan, ask the plan administrator whether it will accept your rollover. An employer plan is not legally required to accept a rollover and may not accept Solutia or Monsanto stock. If your new employer's plan does not accept rollovers, you can choose a direct rollover to an IRA.

Direct Rollover of Installment Payments
If you receive eligible rollover distributions that are paid in installments for less than 10 years and less than the maximum payout period based on your age, your choice to make or not make a direct rollover for a payment will apply to all later installment payments until you change your election. You are free to change your election for any later installment payment.

Payment Paid To You
If you have an eligible rollover distribution paid to you, it is subject to 20% income tax withholding. The payment is taxed in the year you receive it unless, within 60 days, you roll it over to an IRA or another plan that accepts rollovers. If you do not roll it over, special tax rules described later may apply.

Income Tax Withholding:
- *Mandatory Withholding.* If any portion of the payment to you is an eligible rollover distribution, SIP is required by law to withhold 20% of that amount. This amount is sent to the IRS as income tax withholding. For example, if your eligible rollover distribution is $10,000, only $8,000 will be paid to you because the plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, you will report the full $10,000 as a payment from the plan. You will report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year.
- *Voluntary Withholding.* If any portion of your payment is not an eligible rollover distribution but is taxable, the mandatory withholding rules described above do not apply. You may elect not to have withholding apply to that portion.

Tax Information on Distributions *(cont'd)*

Sixty-Day Rollover Option

If you have an eligible rollover distribution paid to you, you can still decide to roll over all or part of it to an IRA or another employer plan that accepts rollovers. If you decide to roll over your distribution, you must make the rollover within 60 days after you receive the payment. The portion of your payment that is rolled over will not be taxed until you take it out of the IRA or the employer plan.

You can roll over up to 100% of the eligible rollover distribution, including an amount equal to the 20% that was withheld. If you choose to roll over 100% within the 60-day period, you must contribute other money to the IRA or the employer plan to replace the 20% that was withheld. However, if you roll over only the 80% that you received, you will be taxed on the 20% that was withheld.

Example: Your eligible rollover distribution from SIP is $10,000, and you choose to have it paid to you. You will receive $8,000 and $2,000 will be withheld and sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to an IRA or employer plan. To do this, you roll over the $8,000 you received from SIP and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the IRA or employer plan. If you roll over the entire $10,000, when you file your income tax return, you may get a refund of the $2,000 withheld. If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

Additional 10% Income Tax If You Are Under Age 59-1/2

If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion. The additional 10% income tax does not apply to your payment if it is: (1) paid to you because you separate from service with all Solutia organizations during or after the year you reach age 55; (2) paid because you retire due to disability; (3) paid to you as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies); or (4) used to pay certain medical expenses. See IRS Form 5329 for more information on the additional 10% income tax.

Special Tax Treatment

If your eligible rollover distribution is not rolled over, it will be taxed in the year you receive it. An unpaid loan secured by taxable amounts will be treated as a taxable distribution in the year it is canceled. However, if a distribution qualifies as a ***"lump sum distribution,"*** it may be eligible for special tax treatment. A lump sum distribution is a payment, within one calendar year, of your entire balance under SIP that is payable to you because you have reached age 59-1/2 or have separated from service with all Solutia organizations. For a payment to qualify as a lump sum distribution, your combined participation in SIP and the Monsanto SIP (if you became a Solutia employee on September 1, 1997) must be at least five years. The special tax treatment for lump sum distributions is described below.

- *Five-Year Averaging.* If you receive a lump sum distribution after you are age 59-1/2, you may be able to make a one-time election to figure the tax on the payment by using ***"five-year averaging."*** Five-year averaging often reduces the tax you owe because it treats the payment much as if it were paid over 5 years. Five-year averaging will generally not be available for distributions after 1999.
- *10-Year Averaging If You Were Born Before January 1, 1936.* If you receive a lump sum distribution and you were born before January 1, 1936, you can make a one-time election to figure the tax on the payment by using ***"10-year averaging"*** (using 1986 tax rates) or five-year averaging (using current tax rates). Like the five-year averaging rules, 10-year averaging often reduces the tax you owe.

There are other limits on the special tax treatment for lump sum distributions. For example, you can generally elect this special tax treatment only once in your lifetime, and the

Tax Information on Distributions *(cont'd)*

election applies to all lump sum distributions (including Pension Plan lump sum payments) that you receive in that same calendar year. If you have previously rolled over a payment from SIP or PAYSOP either in a direct rollover or a rollover you made yourself, you cannot use this special tax treatment for later payments from SIP. If you roll over your payment to an IRA, you will not be able to use this special tax treatment for later payments from the IRA. Also, if you roll over only a portion of your payment to an IRA, this special tax treatment is not available for the rest of the payment. If you received partial distributions after you reached age 59-1/2 or after termination of service or if you received installment payments or if an outstanding loan was treated as a distribution, you may not be able to use forward averaging when the remainder of your SIP balance is paid to you in a complete distribution. This is because you may not have another event which qualifies the remainder as a lump sum distribution. Additional restrictions are described in IRS Form 4972.

The following chart summarizes the tax rules on distributions which qualify for lump sum tax treatment:

ALTERNATIVE TAX TREATMENT OF TAXABLE PORTIONS OF SIP DISTRIBUTIONS WHICH QUALIFY AS LUMP SUM DISTRIBUTIONS

			Tax Treatment Alternatives			
			1	2	3	4
Final Distribution	**Your Age 1/1/86**	**Your Age at Distribution**	**Ordinary Income Tax**	**Rollover**	**5-Year For. Avg. (new rules)** (Once in Lifetime)	**10-Year For. Avg. ('86 rules)** (Once in Lifetime)
you retire or terminate employment	under 50	under 59-1/2	x*	x		
you become disabled	under 50	under 59-1/2	x	x		
you terminate employment	50 or over (and not eligible to retire)	under 59-1/2	x*	x (choice of either)	x*	x*
you become disabled	50 or over	under 59-1/2	x	x (choice of either)	x	x
you retire, terminate employment or become disabled	under 50	59-1/2 or over	x	x	x	
you retire between 55 and 59-1/2	50 or over	55 or over	x	x (choice of either)	x	x
you retire at 59-1/2 or over, terminate employment or become disabled	50 or over	59-1/2 or over	x	x (choice of either)	x	x

* and additional 10% income tax, unless an exception applies.

Tax Information on Distributions *(cont'd)*

Solutia and Monsanto Stock

There is a special rule for a payment from SIP that includes Solutia and/or Monsanto stock. To use this special rule, (1) the payment must qualify as a lump sum distribution, as described above (or would qualify except that you do not yet have five years of participation in SIP or PAYSOP); or, (2) the Solutia and/or Monsanto stock included in the payment was purchased with after-tax contributions, if any. Under this special rule, you may have the option of not paying tax on the ***"net unrealized appreciation"*** of the stock until you sell the stock. Net unrealized appreciation generally is the increase in the value of the Solutia and/or Monsanto stock while it was held by SIP. For example, if your Solutia stock in SIP was purchased when the stock was worth $1,000 but was worth $1,200 when you received it, you would not have to pay tax on the $200 increase in value until you later sold the stock.

You may elect not to have this special rule apply to the net unrealized appreciation. In this case, your net unrealized appreciation will be taxed in the year you receive the stock, unless you roll over the stock. The stock (including any net unrealized appreciation) can be rolled over to an IRA or another employer plan that accepts stock either in a direct rollover or a rollover that you make yourself.

If you receive Solutia and/or Monsanto stock in a payment that qualifies as a lump sum distribution, the special tax treatment for lump sum distributions described above (such as five-year averaging) also may apply. See IRS Form 4972 for additional information on these rules.

Surviving Spouses, Alternate Payees, And Other Beneficiaries

In general, the rules summarized above that apply to payments to employees also apply to payments to surviving spouses of employees and to spouses or former spouses who are ***"alternate payees."*** You are an alternate payee if your interest in the plan results from a ***"qualified domestic relations order,"*** which is an order issued by a court, usually in connection with a divorce or legal separation. Some of the rules summarized above also apply to a deceased employee's beneficiary who is not a spouse. However, there are some exceptions for payments to surviving spouses, alternate payees and other beneficiaries that should be mentioned.

If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA but you cannot roll it over to an employer plan. If you are an alternate payee, you have the same choices as the employee. Thus, you can have the payment paid as a direct rollover or paid to you. If you have it paid to you, you can keep it or roll it over yourself to an IRA or to another employer plan that accepts rollovers. If you are a beneficiary other than the surviving spouse, you *cannot* choose a direct rollover and you *cannot* roll over the payment yourself.

If you are a surviving spouse, an alternate payee or another beneficiary, your payment is not subject to the additional 10% income tax described in the section "Payment Paid to You," even if you are younger than age 59-1/2.

If you are a surviving spouse, an alternate payee who is a spouse or former spouse, or another beneficiary, you may be able to use the special tax treatment for lump sum distributions and the special rule for payments that include Solutia and/or Monsanto stock, as described in the section "Payment Paid to You." If you receive payment because of the employee's death, you may be able to treat it as a lump sum distribution if the employee met the appropriate age requirements, whether or not the employee had five years of participation in SIP.

Tax Information on Distributions *(cont'd)*

How To Obtain Additional Information

This tax information summarizes only the federal (not state or local) tax rules that may apply to your payment. These rules are complex and contain many conditions and exceptions not mentioned here. Therefore, you should consult with a professional tax advisor *before* you take a payment of your benefits from SIP. Also, you can find more specific information on the tax treatment of payments from qualified retirement plans in IRS Publication 575, *Pension and Annuity Income,* and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office or by calling 1-800-TAX-FORMS.

Additional Legal Information

ESOP

The Trustee for SIP is authorized to borrow money from time to time, on behalf of the plan, for the purpose of acquiring Solutia common stock or repaying a prior loan made for similar purposes (an "ESOP Loan"). Each ESOP Loan is subject to certain limitations designed to ensure that the terms of the loan are reasonable. The company may guarantee any ESOP Loan.

In connection with the transfer of a portion of the Monsanto SIP to the plan:

- a portion of the Monsanto SIP ESOP Loans will be transferred to the plan and the plan will assume the responsibility to repay those loans;
- a portion of the Monsanto SIP ESOP Suspense Account will be transferred to the plan; and
- all shares of Monsanto common stock which were originally acquired under the Monsanto SIP with the proceeds of an ESOP Loan transferred to the plan shall be either exchanged for Solutia common stock from the Monsanto SIP or sold and the proceeds used to purchase shares of Solutia common stock.

All shares of Solutia common stock treated as acquired with the proceeds of an ESOP Loan ("ESOP Shares") are initially held by the Trustee in a separate "ESOP Suspense Account." Company Match contributions received by the plan, as well as dividends paid by the company on ESOP Shares will be used by the plan to repay principal and accrued interest on the ESOP Loan. Company cash contributions not used to repay the ESOP Loan will be used to purchase Solutia common stock on the open market. The company may also contribute shares of Solutia common stock to fund the Company Match. The value of the dividends on shares in your account will continue to be invested for you in Solutia common stock. As the ESOP Loan is repaid, shares of Solutia common stock in the ESOP Suspense Account will be released and allocated to your Solutia Company Match Account. Shares are allocated on the basis of the fair market value of Solutia common stock at that time. There is a special adjustment for the Section 415 Limit relating to shares of stock acquired by the ESOP.

"Top-Heavy" Rules

Federal law requires the plan to have certain provisions which apply only in the event the plan becomes "top heavy" — in other words, primarily for the benefit of certain highly paid employees, officers and shareholders. The plan is presently not top heavy. It is not expected to become so in the future. If this changes, you will be notified and details of top heavy rules given to you.

Number Of Shares Available Under The Plan

There were 750,000 shares of Solutia common stock registered and made available under the plan.

Description Of Shares

The stock offered through the plan's Employer Stock Fund is Solutia Inc. common stock, $0.01 par value. Each share of common stock issued under the plan will be issued along with a Preferred Share Purchase Right ("Right").
If a third party acquires or offers to acquire a

Additional Legal Information *(cont'd)*

significant block of Solutia stock, the Right may entitle you to purchase additional Solutia stock or the stock of the acquiring party. If your Right to purchase additional shares is triggered, you will receive more information on this feature. Until the Right to purchase shares is triggered, the Company may redeem the Rights for 1¢ per Right. The Rights cannot be traded separately from the shares of common stock until they become exercisable.

Shareholder Rights-Solutia Stock

As a shareholder, you have the right to instruct the Trustee in the voting of all shares of Solutia stock credited to your Solutia Employee Stock Account and your Solutia Company Match Account or the sale of those shares in response to an offer from a third party (a "tender offer"). The Trustee will make proxy and tender offer materials available to you and will vote or tender shares of Solutia stock according to your confidential instructions. Shares of Solutia stock held in the ESOP Suspense Account and shares of Solutia stock with respect to which no voting directions are timely received are voted by the Trustee proportionately according to the voting directions received from participants. Shares of Solutia stock held in the ESOP Suspense Account will be tendered by the Trustee proportionately according to the tender instructions received from other participants. Shares of Solutia stock allocated to participants' accounts for which instructions are not timely received will not be tendered.

Shareholder Rights-Monsanto Stock

As a shareholder, you have the right to instruct the Trustee in the voting of all shares of Monsanto stock credited to your Monsanto Employee Stock Account and your Monsanto Company Match Account or the sale of those shares in response to an offer from a third party (a "tender offer"). The Trustee will make proxy and tender offer materials available to you and will vote or tender shares of Monsanto stock according to your confidential voting instructions. Shares of Monsanto stock with respect to which no voting directions are timely received are voted by the Trustee proportionately according to the voting directions received from participants. Shares of Monsanto stock for which instructions are not timely received will not be tendered.

Assignment Of Benefits

Your SIP accounts may not be sold, assigned, transferred, pledged or garnished, except pursuant to a Qualified Domestic Relations Order or a federal tax levy. If you become divorced or legally separated, certain court orders could require that part of your SIP accounts be paid to your former spouse or children if the plan administrator determines that the court order constitutes a Qualified Domestic Relations Order.

Divestitures

If you are employed by a division or subsidiary which is sold to another company and you become employed by the purchaser of your division or subsidiary and you have a Before-Tax Account, you will have the following options available to you at the time of the divestiture:

- if you are at least age 59-1/2 and are eligible to receive a pension benefit at the time of the divestiture, you may elect the deferral option (see pages 23-25), a final distribution (see page 23), or installment payments (see pages 25-28).
- if you are eligible to receive a pension benefit but are not age 59-1/2 at the time of the divestiture, you may elect the deferral option or a final distribution (see pages 23-25). If you elect the deferral option, you may, at any time after age 59-1/2, elect to begin receiving installment payments.
- if you are not eligible to receive a pension benefit, you may elect either a final distribution or the deferral option.

ONE IMPORTANT NOTE IF YOU ARE UNDER AGE 59-1/2 AT THE TIME OF THE DIVESTITURE, THE DIVESTITURE OCCURRED ON OR AFTER JANUARY 1, 1992, AND YOU ELECT THE DEFERRAL OPTION: If you do not elect to receive a final distribution prior to the end of the second calendar year following the divestiture, you will not be able to receive a distribution or withdrawal of your Before-Tax Account until the earlier of the date you reach age 59-1/2 or the date you separate from service with the purchaser.

Additional Legal Information *(cont'd)*

Special Limitations On Senior Managers

Senior managers of the company who have been advised that they are subject to the requirements of Section 16 of the Securities Exchange Act of 1934 may be subject to limitations on transactions involving Solutia stock.

Plan Subject To ERISA

SIP is a defined contribution plan which is intended to qualify under Sections 401(a), 401(k) and 401(m) of the Internal Revenue Code of 1986 ("Code"). A portion of SIP is also intended to be an employee stock ownership plan, as defined in Section 4975 of the Code and Section 407(d)(6) of the Employee Retirement Income Security Act of 1974 ("ERISA"), designed to invest primarily in qualifying employer securities. SIP is also subject to certain provisions of ERISA, including ERISA's reporting and disclosure (Part 1 of Title I) and fiduciary responsibility (Part 4 of Title I) requirements. SIP must also meet the minimum standards for participation and vesting found in Part 2 of Title I of ERISA as well as in Sections 401(a), 410 and 411 of the Code. SIP is not, however, subject to the minimum funding standards imposed by Part 3 of Title I of ERISA and Section 412 of the Code, nor are benefits under the plan eligible for plan termination insurance provided by the Pension Benefit Guaranty Corporation under Title IV of ERISA. Plan termination insurance is limited to certain kinds of pension plans and is not available for defined contribution plans such as SIP.

Administration Of Plan

The plan will be administered by Solutia's Employee Benefits Plans Committee ("EBPC"). The members of the EBPC are appointed by the Board of Directors or Chief Executive Officer of Solutia. The EBPC has the exclusive right to interpret the plan and to decide matters arising under the plan or in connection with its administration, including eligibility for, and the amount of, distributions and withdrawals. The EBPC may from time to time adopt rules for the administration of the plan and the conduct of its business. Such rules must be consistent with the provisions of the plan.

The Pension and Savings Fund Committee ("PSFC") has certain rights and obligations to: (1) control and manage plan assets, (2) approve the selection criteria for fixed income investments, and (3) appoint and remove the Trustee and any investment manager retained in connection with the investment of such plan assets. The members of the PSFC are appointed by the Board of Directors.

The Trustee for the plan is The Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois 60675.

You may obtain additional information about the plan and its administrators by writing or calling:

Solutia Benefits Center
100 Half Day Road
Lincolnshire, IL 60069-1459
1-888-726-8616

Amendment And Termination

Solutia expects to continue the plan described here. However, because it is impossible to predict all future conditions, Solutia must reserve the right to amend the plan. Solutia may amend the plan at any time in any respect through action of its Board of Directors, the EBPC or the delegate of either, and subject to any agreement with a collective bargaining unit. No amendment may permit funds in the plan to be used for any purpose other than the exclusive benefit of participants. Solutia may also terminate the Plan with respect to all employers, through action of its Board of Directors, the EBPC or the delegate of either and subject to any agreement with a collective bargaining unit.

Additional Legal Information *(cont'd)*

Each participating subsidiary may discontinue its contributions to SIP or terminate SIP with respect to its employees subject to any agreement with a collective bargaining unit. In the case of such termination or discontinuance of contributions, the Company Match Accounts of each participant affected by the termination or discontinuance will become 100% vested.

Plan Administrator

The Plan Administrator and sponsor of the plan is Solutia Inc., 10300 Olive Boulevard, P.O. Box 66760, St. Louis, Missouri 63166-6760, phone (314) 674-1000.

Plan Year

Records for all benefits are kept on a plan-year basis. The plan year for the plan is January 1 through December 31.

Agent For Service Of Legal Process

Any service of legal process should be sent to General Counsel, Solutia Inc., 10300 Olive Boulevard, P.O. Box 66760, St. Louis, Missouri 63166-6760. Legal process may also be served on the Plan Administrator or the Plan Trustee (see page 38).

Identification Numbers

The Company's employer identification number is 43-1781797. The plan's identification number is 003.

Claims Appeal Procedures

Generally, your claim will be processed within 90 days (normally much sooner) unless you are notified of a delay.

If your application for a benefit is denied — or if you do not receive an answer to your claim within 90 days — you may request a review within 60 days. Your appeal must be filed with the Employee Benefits Plans Committee or its designee. Any documents needed to perfect your claim will be made available and the claims review procedure will be explained to you. Your appeal must be in writing and may be made by you or by your representative. A decision on the appeal will generally be made within 60 days. The final decision will be in writing and will provide specific reasons for the decision.

ERISA Rights

Solutia, its subsidiaries and its predecessors have always operated their employee benefit plans with the interests of employees in mind. The company has always attempted to communicate to employees their rights and entitlements. However, even though you may already have received information included in the following, federal law and regulations also require that we inform you that:

"As a participant in the Savings and Investment Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

- Examine, without charge, at the plan administrator's office and at other specified locations, such as worksites, all plan documents, including insurance contracts and copies of all documents filed by the plan with the U.S. Department of Labor, such as detailed annual reports.
- Obtain copies of all plan documents and other plan information upon written request to the plan administrator. The administrator may make a reasonable charge for the copies.
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

Additional Legal Information *(cont'd)*

"In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your plan, called 'fiduciaries' of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA. If your claim for a welfare benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you lose, the court may order you to pay these costs and fees; for example, if it finds your claim is frivolous. If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor."

Plan Documents

This Summary Plan Description generally describes the benefits provided under the plan. It does not attempt to cover every detail concerning the plan. The terms of the plan are set forth in the applicable plan document. In the event that a provision in the applicable document or contract conflicts with this Summary Plan Description, the terms of the document shall control. These documents, as well as the plan's Annual Report as filed with the U.S. Department of Labor, are available for review through your HR Rep during normal working hours. Upon written request to the Employee Benefits Plans Committee, Solutia Inc., 10300 Olive Boulevard, P.O. Box 66760, St. Louis, Missouri 63166-6760, a copy of these documents (for which a reasonable charge may be made) will be furnished to a Plan participant or beneficiary within 30 days of receipt of the written request. Neither this booklet nor any statements concerning the described plan shall confer any right to continued employment.

Standard Of Review And Exercise Of Discretion

The company or other person designated by the company has the discretionary authority to interpret all plan provisions, and determine whether a participant or beneficiary is entitled to any benefit pursuant to the terms of the plan. Any

Additional Legal Information *(cont'd)*

good faith interpretation of the terms of the plan by the company (or its designee) for which there is a rational basis shall be final and legally binding on all parties.

A review of a final decision or action of the company (or its designee) shall be based only on the evidence before the company (or its designee) at the time of the decision.

Plan Participants

The principal employer under the plan is Solutia Inc. Other participants provided coverage under the plan include salaried employees of Solutia Inter-America Company. An updated list of employers may be obtained by participants and beneficiaries upon written request to the plan administrator and is available for examination by participants and beneficiaries.

Incorporation Of Certain Documents By Reference

The following documents filed with the Securities and Exchange Commission are incorporated herein by reference:

A. The company's and the plan's latest annual reports, filed pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"), or, in the case of the company, the company's latest prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933 which contains, either directly or by incorporation by reference, audited financial statements for the company's latest fiscal year for which such statements have been filed, or the Company's effective registration statement on Form 10 filed under the Exchange Act containing audited consolidated financial statements for the Company's latest fiscal year.

B. All other reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act since the end of the fiscal year covered by the annual reports or the prospectus or effective registration statement referred to in (a) above.

C. The description of Solutia Inc. common stock, $0.01 par value, and the description of associated Preferred Share Purchase Rights contained in a Registration Statement filed under the Exchange Act; including any amendments or reports filed for the purpose of updating such descriptions.

All reports and other documents or portions of documents subsequently filed by the company or the plan pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, as amended, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold, or which deregisters all securities remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents.

Solutia shall provide without charge to each person to whom a prospectus is delivered, on the written or oral request of any such person, a copy of all or any of the above documents incorporated by reference herein (other than exhibits to such documents), as well as a copy of all or any documents that constitute a part of the prospectus, the company's most recent annual report to shareholders and other communications to shareholders generally. All such requests or inquiries for additional information should be directed to:

Corporate Secretary
Solutia Inc.
10300 Olive Boulevard
P.O. Box 66760
St. Louis, Missouri 63166-6760
(314) 674-1000

Your Practical Guide

EVENT — IF YOU WANT TO —	CALL THE BENEFITS CENTER AND THE CHANGE WILL BE EFFECTIVE	REFER TO PAGE
Enroll in SIP or change the percentage of eligible pay you are contributing either after-tax, before-tax or both:	As soon as administratively possible and no later than the third paycheck after your call	3, 14
Change how future contributions are invested among the investment funds and pre-mixed portfolios:	The next business day	14
Transfer existing balances among investment funds, apply for a Company Match Stock Transfer Election, or make a Company Match Reallocation Election:	The same day provided you call by 3 p.m. Central time on a business day; otherwise, the next business day	14-16
Make an in-service or age 59-1/2 withdrawal:	As soon as administratively possible after signed confirmation notice is received by the Benefits Center[1]	20
Request a new loan:	As soon as administratively possible after signed Promissory Note/Disclosure Statement is received by the Benefits Center[2]	21-22
Request a final or partial distribution or begin receiving installment payments:	As soon as administratively possible after signed confirmation notice or installment election form is received by the Benefits Center[1]	23-28
Change installment payment period or frequency:	As soon as administratively possible after signed installment election form is received by the Benefits Center	27

[1]Your signed confirmation notice must be received in the Benefits Center by the date indicated in the notice or your request will be canceled.

[2]Your signed Promissory Note/Disclosure Statement must be received in the Benefits Center by the date indicated in the Statement or your loan request will be canceled.